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INDIRA GANDHI NATIONAL OPEN UNIVERSITY

Course Design Committee

Prof. G. Ram Reddy (Chairman)
Vice-Chancellor
IGNOU

Prof. B.S. Sharma (Convener)
Pro-Vice-Chancellor
IGNOU

Prof. Ashok Chandra
Educational Adviser (Technical)
Department of Education
Ministry of Human Resource
Development

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University of Delhi

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Director
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Bangalore

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Chairman
Hindustan Lever Ltd.

Prof. T. Ranga Rao
Dept. of Commerce and
Management Studies
Andhra University

Prof. D.R. Prasad
Osmania University

Course Preparation Team

Prof. T.V. Rao
Indian Institute of
Management
Ahmedabad

Prof. Y. Ranga Rao
Dept. of Commerce and
Management Studies
Andhra University

Dr. B.R. Seth
Industrial Relations Consultant
Dr. K. Mamkoottam
Faculty of Management Studies
University of Delhi

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Dept. of Business
Management
University of Indore

Dr. Srilatha
School of Management
Studies
IGNOU

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Pro-Vice-Chancellor
IGNOU

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Director
School of Management
Studies
IGNOU

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Faculty of Management
Studies
University of Delhi

Prof. C.S. Venkataratnam
International Management
Institute, INDIA

Prof. G. Sambasiva Rao
Editor
IGNOU

Dr. P.N. Pandit
Dept. of English
IGNOU

BLOCK 1 PLANNING PERSONNEL FUNCTION

This block has four units dealing with personnel function and human resource development.

The first unit on Human Resource Development (HRD) systems describes various subsystems of HRD and discusses the principles for establishing an effective HRD system in an organisation.

The second unit discusses the personnel environment in India, and the environmental factors affecting personnel function. The unit raises the question whether personnel is a full-fledged profession or not.

The third unit describes the functions of personnel managers, and operations of a personnel office. It further elaborates the linkages of personnel office with the rest of the organisation.

The fourth and the last unit in this block describes Manpower Planning—the process, objectives and operations. It describes various techniques and methodologies for manpower planning. Finally it raises key concerns about manpower planning strategy.

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UNIT 1 HUMAN RESOURCE DEVELOPMENT SYSTEMS

Objectives

After reading this unit, you should be able to:

- understand the concept of Integrated Human Resource Development (HRD) Systems;
- appreciate the need for human resource development;
- relate the contributions of various HRD sub-systems to various development dimensions; and
- understand the principles in designing effective HRD systems.

Structure

- 1.1 Introduction
- 1.2 The Concept of HRD
- 1.3 The Need for HRD
- 1.4 HRD Mechanisms
- 1.5 HRD as a Total System
- 1.6 Principles in Designing HRD Systems
- 1.7 Summary
- 1.8 Further Readings

1.1 INTRODUCTION

Development is acquisition of capabilities—capabilities that are needed to do the present job or the future expected job well. Development of human resources is essential for any organisation that would like to be dynamic and growth-oriented. Unlike other resources, human resources have rather unlimited potential capabilities. The potential can be used only by creating a climate that can continuously identify, bring to surface, nurture and use the capabilities of people. Human Resources Development Systems aim at creating such a climate.

For convenience management scientists have categorised the competency requirements in organisational life into four categories—Technical, Managerial, Human and Conceptual. Educational psychologists further differentiate knowledge, attitudes and skill components in each of these categories. Of these, knowledge components are developed with relative ease in classroom settings and with good reading habits. Attitudes and skills can be developed and strengthened mostly on the job. Mechanisms like performance appraisal, interpersonal feedback, counselling, potential development, career planning and development, organisational development, autonomous work groups, job-enrichment and training aim at developing such competencies in the employees.

In the past, organisations were content with “training” as a mechanism of developing competencies. As organisations started realising the limitations of training in developing skill-based competencies, and the need for creating a “development climate” that can develop and harness the human resources, they began exploring other mechanisms. In fact it is this need for paying attention to other mechanisms of development that led many organisations to set up new departments of Human Resource Development.

Human Resource Development (HRD) has gained increasing attention in the last decade from human resource specialists, training and development professionals, chief executives, and line managers. Many dimensions of HRD have been integrated into research, training, and organisational design and change. Others are still being explored. In the next decade, there is likely to be a knowledge explosion in HRD. If trainers, researchers, and consultants are to utilise this knowledge effectively, they must understand the concepts behind HRD and how HRD systems work in and contribute to organisations. They must also understand the different mechanisms for

developing human resources and the links between them. This paper is an attempt to provide such understanding and also to present some considerations for designing HRD systems for organisations.

1.2 THE CONCEPT OF HRD

Human resource development in the organisation context is a process by which the employees of an organisation are helped, in a continuous and planned way, to:

- 1 Acquire or sharpen capabilities required to perform various functions associated with their present or expected future roles.
- 2 Develop their general capabilities as individuals and discover and exploit their own inner potentials for their own and/or organisational development purposes.
- 3 Develop an organisational culture in which supervisor-subordinate relationships, teamwork, and collaboration among sub-units are strong and contribute to the professional well being, motivation, and pride of employees.

This definition of HRD is limited to the organisational context. In the context of a state or nation it would differ.

HRD is a process, not merely a set of mechanisms and techniques. The mechanisms and techniques such as performance appraisal, counselling, training, and organisation development interventions are used to initiate, facilitate, and promote this process in a continuous way. Because the process has no limit, the mechanisms may need to be examined periodically to see whether they are promoting or hindering the process. Organisations can facilitate this process of development by planning for it, by allocating organisational resources for the purpose, and by exemplifying an HRD philosophy that values human beings and promotes their development.

1.3 THE NEED FOR HRD

HRD is needed by any organisation that wants to be dynamic and growth-oriented or to succeed in a fast-changing environment. Organisations can become dynamic and grow only through the efforts and competencies of their human resources. Personnel policies can keep the morale and motivation of employees high, but these efforts are not enough to make the organisation dynamic and take it in new directions. Employee capabilities must continuously be acquired, sharpened, and used. For this purpose, an "enabling" organisational culture is essential. When employees use their initiative, take risks, experiment, innovate, and make things happen, the organisation may be said to have an "enabling" culture.

Even an organisation that has reached its limit in terms of growth, needs to adapt to the changing environment. No organisation is immune to the need for processes that help to acquire and increase its capabilities for stability and renewal.

1.4 HRD MECHANISMS

Goals, Subsystems and Beliefs

The goal of HRD systems is to develop:

- The capabilities of each employee as an individual
- The capabilities of each individual in relation to his or her present role
- The capabilities of each employee in relation to his or her expected future role(s)
- The dyadic relationship between each employee and his or her supervisor
- The team spirit and functioning in every organisational unit (department, group, etc)
- Collaboration among different units of the organisation
- The organisation's overall health and self-renewing capabilities which, in turn, increase the enabling capabilities of individuals, dyads, teams, and the entire organisation

To achieve these objectives, HRD systems may include the following **process mechanisms or subsystems**:

- Performance appraisal
- Potential appraisal and development
- Feedback and performance coaching
- Career planning
- Training
- Organisation development (OD) or research and systems development
- Rewards
- Employee welfare and quality of work life
- Human resources information

All these process mechanisms are linked with corporate plans, particularly with human resources planning. These mechanisms are designed on the basis of the following **beliefs**:

- a) Human resources are the most important assets in the organisation.
- b) Unlike other resources, human resources can be developed and increased to an unlimited extent.
- c) A healthy climate, characterised by the values of openness, enthusiasm, trust, mutuality, and collaboration, is essential for developing human resources.
- d) HRD can be planned and monitored in ways that are beneficial both to the individual and to the organisation.
- e) Employees feel committed to their work and organisation if the organisation perpetuates a feeling of "belonging".
- f) Employees are likely to have this feeling if the organisation provides for their basic needs and for their higher needs through appropriate management styles and systems.
- g) Employee commitment is increased with the opportunity to discover and use one's capabilities and potential in one's work.
- h) It is every manager's responsibility to ensure the development and utilisation of the capabilities of subordinates, to create a healthy and motivating work climate, and to set examples for subordinates to follow.
- i) The higher the level of the manager, the more attention should be paid to the HRD function in order to ensure its effectiveness.
- j) The maintenance of a healthy working climate and the development of its human resources are the responsibilities of every organisation (especially the corporate management).

The HRD mechanisms or subsystems are defined as follows:

Performance Appraisal

Performance appraisal of some type is practiced in most organisations all over the world. A written assessment to which the employee has no chance to respond is still common in most countries, particularly in the developing countries. Many studies indicate that this type of appraisal serves no purpose. It is time that more organisations began to utilise the performance appraisal **interview** between the manager and the subordinate, during which the subordinate's strengths and weaknesses are discussed, concerns are shared, and the subordinate is given the opportunity to defend or improve any deficits in his or her performance.

An HRD-oriented performance appraisal is used as a mechanism for supervisors to:

- Understand the difficulties of their subordinates and try to remove these difficulties
- Understand the strengths and weaknesses of their subordinates and help the subordinates to realise these
- Help the subordinates to become aware of their positive contributions
- Encourage subordinates to accept more responsibilities and challenges
- Help subordinates to acquire new capabilities
- Plan for effective utilisation of the talents of subordinates

In HRD organisations, every supervisor has the responsibility to ensure the development of his or her subordinates in relation to the capabilities required to perform their jobs effectively. Generally, the supervisor schedules individual

meetings with each employee to discuss the employee's performance, communicate the performance areas that need attention, and jointly establish areas to be worked on or goals to be achieved by the next scheduled discussion.

Such performance appraisal interviews may be scheduled every three months or once or twice a year. Goals and objectives that have been agreed upon in each meeting are reviewed in the next meeting. During this review, the supervisor attempts to understand the difficulties of the subordinate and to identify his or her developmental needs.

Before each review, the employee is prepared for the discussion through self-assessment, identifying factors that have contributed to his or her performance and factors that have hindered it, as well as the types of support that he or she needs from the supervisor or others in order to do better in the next period.

The supervisor also prepares for the meeting by listing observations, problems, suggestions, and expectations. During the appraisal meeting, the supervisor and the subordinate share their observations and concerns. Each responds to the subjects raised by the other. Such discussions help to develop mutual understanding, and the data generated are reported to the higher management and is used in making decisions about individual employee development as well as developmental needs of the work group or the entire organisation.

Potential Appraisal and Development

In organisations that subscribe to HRD, the potential (career-enhancement possibilities) of every employee is assessed periodically. Such assessment is used for developmental planning as well as for placement. It is assumed under this system that the company is growing continuously. It may be expanding in scale, diversifying its operations, introducing technological changes, or entering new markets. A dynamic and growing organisation needs to continually review its structure and systems, creating new roles and assigning new responsibilities. Capabilities to perform new roles and responsibilities must continually be developed among employees. The identification of employee potential to ensure the availability of people to do different jobs helps to motivate employees in addition to serving organisational needs.

Every year or two, the supervisor of a group of employees assesses the potential of each of them to perform different (usually higher level) functions on the basis of the supervisor's observations and experiences during that period. Of course, many supervisors see their subordinates doing only those jobs to which they are assigned. The ideal way to judge a person's potential would be to try the person on each job for which his potential is being assessed. This is not feasible in most organisations, so simulation activities are prepared to provide some information about the potential of employees in specific areas.

Any employee can request such assessment. It should be clear whether or not there is a position available in the company to which the employee could be transferred or promoted.

Feedback and Performance Coaching

Knowledge of one's strengths helps one to become more effective, to choose situations in which one's strengths are required, and to avoid situations in which one's weaknesses could create problems. This also increases the satisfaction of the individual. Often, people do not recognise their strengths. Supervisors in an HRD system have the responsibility for ongoing observation and feedback to subordinates about their strengths and their weaknesses, as well as for **guidance** in improving performance capabilities.

Career Planning

The HRD philosophy is that people perform better when they feel trusted and see meaning in what they are doing. In the HRD system, corporate growth plans are not kept secret. Long-range plans for the organisation are made known to the employees. Employees are helped to prepare for change whenever such change is planned; in fact, the employees help to facilitate the change. Major changes are discussed at all levels to increase employee understanding and commitment.

Most people want to know the possibilities for their own growth and career

opportunities. Because managers and supervisors have information about the growth plans of the company, it is their responsibility to transmit information to their subordinates and to assist them in planning their careers within the organisation. Of course, the plans may not become reality, but all are aware of the possibilities and are prepared for them.

Training

Training is linked with performance appraisal and career development. Employees generally are trained on the job or through special in-house training programmes. For some employees (including managers), outside training may be utilised to enhance, update, or develop specific skills. This is especially valuable if the outside training can provide expertise, equipment, or sharing of experiences that are not available within the organisation.

In-house training programmes are developed by in-house trainers or consultants hired for the task, and periodic assessments are made of the training needs within the organisation. The effects of all training programmes are monitored and added to the data concerning training needs. Managers and employees who attend in-house or outside training events are also expected to submit proposals concerning any changes they would like to suggest on the basis of their new knowledge. The training received by employees is thus utilised by the organisation.

Organisation Development (OD)

This function includes research to ascertain the psychological health of the organisation. This is generally accomplished by means of periodic employee surveys. Efforts are made to improve organisational health through various means in order to maintain a psychological climate that is conducive to productivity. The OD or systems experts also help any department or unit in the company that has problems such as absenteeism, low production, interpersonal conflict, or resistance to change. These experts also revamp and develop various systems within the organisation to improve their functioning.

Rewards

Rewarding employee performance and behaviour is an important part of HRD. Appropriate rewards not only recognise and motivate employees, but also communicate the organisation's values to the employees. In HRD systems, innovations and use of capabilities are rewarded in order to encourage the acquisition and application of positive attitude and skills. Typical rewards include certificates of appreciation, newsletter announcements, increase in salary bonuses, special privileges, and desired training. Promotions are generally not considered as rewards because promotion decisions are based on appraisals of potential whereas most rewards are based on performance. Rewards may be given to individuals as well as to teams, departments, and other units within the organisation.

Employee Welfare and Quality of Work Life

Employees at lower levels in the organisation usually perform relatively monotonous tasks and have fewer opportunities for promotion or change. This is particularly true in developing countries. In most countries, many employees belong to trade unions. In order to maintain their work commitment and motivation, the organisation must provide some welfare benefits such as medical insurance, disability insurance, and holidays and vacations.

Quality-of-work-life programmes generally focus on the environment within the organisation and include: basic physical concerns such as heating and air conditioning, lighting, and safety precautions; additional physical amenities such as food and beverage facilities, recreation, and aesthetics; and psychological and motivational factors such as flexible work hours, freedom to suggest changes or improvements, challenging work, and varying degrees of autonomy.

HRD systems focus on employee welfare and quality of work life by continually examining employee needs and meeting them to the extent feasible. Job-enrichment programmes, educational subsidies, recreational activities, health and medical benefits, and the like generate a sense of belonging that benefits the organisation in the long run.

Human Resources Information

All appropriate information about employees should be stored in a central human resources data bank (usually by means of computer). This includes all basic information about each employee, training programmes attended, performance records, potential appraisals, accomplishments, etc. This data is utilised whenever there is a need to identify employees for consideration for special projects, additional training, or higher-level jobs.

The Contributions of Subsystems to HRD Goals

Each of the subsystems or mechanisms just defined contributes to the achievement of overall HRD goals.

Performance appraisal focuses primarily on helping the individual to develop his or her present role. Potential appraisal focuses primarily on identifying the employee's likely future roles within the organisation. Training is a means of developing the individual's personal effectiveness (e.g., through communication-skills laboratories) or developing the individual's ability to perform his or her present job role or future job roles. Training can also strengthen interpersonal relationships (through training in communications, conflict resolution, problem solving, transactional analysis, etc.) and increase teamwork and collaboration (through management and leadership training, team-building programmes, etc.).

Feedback and performance coaching helps the development of the individual as well as relationships. Organisation development is the mechanism for developing team collaboration and self-renewing skills. Efforts to promote employee welfare and ensure the quality of work life, along with rewards, promote a general climate of development and motivation among employees. The contribution of these HRD subsystems to different development dimensions is indicated in Table I.

Table I
The Contribution of HRD Subsystems to Development Dimension

Development Dimensions	HRD Subsystems		
	Training	Career planning	Potential appraisal and development
Individual	Feedback and Coaching performance	Rewards	
Individual in the present role	Performance appraisal	Training Rewards	Feedback and performance coaching
Individual in regard to likely future role	Potential appraisal and development	Training	Performance appraisal Feedback and performance coaching
Dyadic relationships	Feedback and performance coaching	Performance appraisal	Training
Teams and teamwork	Organisation development	Training	Team rewards
Collaboration among different units/teams	Organisation development	Training	
Self-renewing capacity and health of organisation	Performance appraisal	Organisation development	Training

Activity A

Consider the development dimensions in Table I and HRD subsystems like training, career planning, and potential appraisal and development in your organisation. How do these HRD subsystems perform in your organisation, and how are they linked to the development dimensions?

Development dimensions	HRD Subsystems		
	Training	Career planning	Potential appraisal and development

1.5 HRD AS A TOTAL SYSTEM

The HRD subsystems or mechanisms discussed so far should not be thought of in isolation. They are designed to work together in an integrated system although any of them may exist in an organisation that does not have an overall HRD plan. In isolation, these mechanisms do not afford the synergistic benefits of integrated subsystems. For example, outcomes of performance appraisals provide inputs for training needs, assessments, rewards, career planning, and feedback and performance coaching. The links between the HRD subsystems are indicated in Table II.

Activity B

Study Table II and develop a similar table for your organisation showing linkages of various HRD subsystems.

1.6 PRINCIPLES IN DESIGNING HRD SYSTEMS

Of course, HRD systems must be designed differently for different organisations. Although the basic principles may remain the same, the specific components, their relationships, the processes involved in each, the phasing, and so on, may differ from organisation to organisation.

Designing an integrated HRD systems requires a thorough understanding of the principles and models of human resource development and a diagnosis of the organisation culture, existing HRD practices in the organisation, employee perceptions of these practices, and the developmental climate within the organisation. The following principles related to focus, structure, and functioning should be considered when designing integrated HRD systems:

Focus of the System

a) **Focus on enabling capabilities:** The primary purpose of HRD is to help the organisation to increase its "enabling" capabilities. These include development of human resources, development of organisational health, improvement of problem solving capabilities, development of diagnostic ability (so that problems can be located quickly and effectively), and increased employee productivity and commitment.

b) **Balancing adaptation and change in the organisational culture:** Although HRD systems are designed to suit the organisational culture, the role of HRD may be to modify that culture to increase the effectiveness of the organisation. There always has been a controversy between those who believe that HRD should be designed to suit

Table II
Links Between the Subsystems of HRD

	Performance Appraisal	Potential Appraisal and Development	Feedback and Performance Coaching	Training	Career Planning	Employee Welfare & Quality of Work Life	Rewards	OD and Systems Development	Human Resources Information
1	2	3	4	5	6	7	8	9	10
Performance Appraisal (PA)	—	PA dimensions develop the potential of employees for higher level jobs	PA data are the basis for feedback and counselling	PA indicates the job training needs of each individual	PA data are used	—	PA data form the basis for decisions	PA data can be used	PA data are used
Potential Appraisal and Development (PAD)	—	—	PAD data should be used for feedback and counselling	Training may be provided to develop candidates with potential.	PAD is based on career plans, and career plans are prepared using PAD data	—	—	OD programmes can be undertaken if potential is not available within the organisation.	PAD data are used
Feedback and Performance Coaching (FPC)	—	—	—	Training needs can be identified.	Career counselling can be part of this	—	Verbal reward can be part of feedback	FPC data can be used for improving the development climate	FPC data can be used to monitor individual development
Training (T)	—	—	—	—	Training may be undertaken on the basis of career development plans	Training can be part of QWL programmes	Training can be used as a reward	Training can be part of OD	Data are used for promotion decisions
Career Planning (CP)	—	—	—	—	—	—	—	Research on promotion patterns can be conducted for OD programmes	CP data are used for human resources audits and career planning
Employee Welfare and Quality of Work Life (EW and QWL)	—	—	—	—	—	—	Group efforts can be rewarded through QWL measures	QWL improvements can be part of OD activities	Welfare benefits require data
Rewards	—	—	—	—	—	—	—	—	Data are used for rewards and reward data are entered
OD and Systems Development (OD and SD)	—	—	—	—	—	—	—	—	HRI can be used for systems development and OD purposes

the culture and those who believe that HRD should be able to change the culture. Both positions seem to be extreme. HRD should take the organisation forward, and this can be done only if its design anticipates change and evolution in the future.

c) Attention to contextual factors: What is to be included in the HRD systems, how is it to be subdivided, what designations and titles will be used, and similar issues should be settled after consideration of the various contextual factors of the organisation—its culture and tradition, size, technology, levels of existing skills, available support for the function, availability of outside help and so on.

d) Building linkages with other functions: Human resource development systems should be designed to strengthen other functions in the company such as long-range corporate planning, budgeting and finance, marketing, production, and other similar functions. These linkages are extremely important.

e) Balancing specialisation and diffusion of the function: Although HRD involves specialised functions, line people should be involved in various aspects of HRD. Action is the sole responsibility of the line people, and HRD should strengthen their roles.

Structure of the System

a) Establishing the identity of HRD: It is important that the distinct identity of HRD be recognised. The person in charge of HRD should have responsibility for this function exclusively and should not be expected to do it in addition to any other function. Multiple responsibilities produce several kinds of conflict. This person should report directly to the chief executive of the organisation.

b) Ensuring respectability for the function: In many companies, the personnel function does not have much credibility because it is not perceived as a major function within the organisation. It is necessary that HRD be instituted at a very high level in the organisation and that the head of the HRD department be classified as a senior manager. Both the credibility and usefulness of HRD depend on this.

c) Balancing differentiation and integration: The human resource development function often includes personnel administration, human resource development and training, and industrial relations. These three functions have distinct identities and requirements and should be differentiated within the HRD department. One person may be responsible for OD, another for training, another for potential appraisal and assessment, etc. At the same time, these roles should be integrated through a variety of mechanisms. For example, inputs from manpower planning should be available to line managers for career planning and HRD units for potential appraisal and development. Data from recruitment should be fed into the human resources information system. If salary administration and placement are handled separately, they should be linked to performance appraisals. Differentiation as well as integration mechanisms are essential if the HRD system is to function well.

d) Establishing linkage mechanisms: HRD has linkages with outside systems as well as with internal subsystems. It is wise to establish specific linkages to be used to manage the system. Standing committees for various purposes (with membership from various parts and levels of the organisation), task groups, and *ad hoc* committees for specific tasks are useful mechanisms.

e) Developing monitoring mechanisms: The HRD function is always evolving. It therefore requires systematic monitoring to review the progress and level of effectiveness of the system and to plan for its next step. A thorough annual review reappraisal every three years will be invaluable in reviewing and planning the system. It may be helpful to include persons from other functions in the organisation in the HRD assessment effort.

Functioning of the System

a) Building feedback and reinforcing mechanisms: The various subsystems within HRD should provide feedback to one another. Systematic feedback loops should be designed for this purpose. For example, performance and potential appraisals provide necessary information for training and OD, and OD programmes provide information for work redesign.

b) Balancing quantitative and qualitative decisions: Many aspects of HRD, such as performance and potential appraisals, are difficult to quantify. Of course attempts

should be made to quantify many variables and to design computer storage of various types of information, but qualitative and insightful decisions are also necessary and desirable. For example, in considering people for promotions, quantitative data are necessary inputs, but other factors must also be taken into consideration. Thus a balance between the mechanical and the human factors is necessary.

c) Balancing internal and external expertise: A human resource development system requires the development of internal expertise and resources, specifically in content areas that are used frequently within the organisation. For expertise that is required only occasionally, the use of external resources or consultants may be the most feasible. It is necessary to plan for an economical and workable balance between the two. It is preferable to use internal personnel to conduct training; however, an organisation that uses only in-house expertise may not benefit from new thinking in the field. On the other hand, a company that relies solely on external HRD help does not develop the internal resources that are necessary for effective functioning.

d) Planning for the evolution of HRD: Various aspects of HRD can be introduced into the organisation in stages, depending on its needs, size and level of sophistication. Some aspects may require a great deal of preparation. Rushing the introduction of an aspect of HRD may limit its effectiveness. Each stage should be planned carefully, with sequenced phases built one over the other. This may include:

- i) **Geographical phasing:** introducing the system in a few parts of the organisation and slowly spreading it to other parts. This may be necessary in a large or widely located organisation.
- ii) **Vertical phasing:** introducing the system at one or a few levels in the organisation and expanding up or down gradually.
- iii) **Functional phasing:** introducing one function or subsystem, followed by other functions. For example, introducing job specifications (identification of critical attributes of jobs) before introducing a complete potential-appraisal system.
- iv) **Sophistication phasing:** introducing simple forms of subsystems, followed after some time by more sophisticated forms.

1.7 SUMMARY

Successful organisations pay adequate attention to their human resource development functions. If the full benefits of HRD are to be experienced, it must be introduced as a total system within the organisation. In addition, the commitment of the top management to the HRD systems and its willingness to invest time and other resources is crucial; top management must make it obvious that the human resources of the organisation are its most important resources. The values of openness, trust, mutuality, collaboration, and enthusiasm within the system should be recognised by every member of the organisation. If implemented properly, integrated HRD systems can contribute significantly to positive cultural changes, increased productivity, and excellence in organisations.

1.8 FURTHER READINGS

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- Rao, T.V. and D.F. Pereira, 1986. *Recent Experiences in Human Resources Development*, Oxford & IBH Publishing Co.: New Delhi.

UNIT 2 PERSONNEL MANAGEMENT ENVIRONMENT IN INDIA

Objectives

The objectives of this unit are to:

- examine the changing role of personnel management
- understand the external environment and organisational context in which personnel management operates
- understand the dynamics of human resource systems in an organisation

Structure

- 2.1 Changing Role of Personnel Management in India
- 2.2 Is Personnel a Profession?
- 2.3 External Environment for Personnel
- 2.4 Organisational Context
- 2.5 Summary
- 2.6 Self-assessment Test
- 2.7 Key Words
- 2.8 Further Readings

2.1 CHANGING ROLE OF PERSONNEL MANAGEMENT IN INDIA

In India the origins of personnel management could be traced to the concern about factory welfare work since the 1920s, following state intervention in the difficult conditions in the aftermath of World War I, and the emergence of trade unions. In 1931 the Royal Commission on Labour recommended the appointment of labour/welfare officers to deal with the recruitment of labour and to settle their grievances. This designation, as experience revealed, is sometimes regarded as a misnomer and the role often misunderstood. The Factories Act, 1948 laid down qualifications and duties of welfare officers and made it mandatory for companies employing 500 or more workers to appoint welfare officers with requisite qualifications and training. Social work education which was started in the country in 1936, soon realised the relevance and significance of social work practice to personnel functions.

Soon two professional bodies emerged: The Indian Institute of Personnel Management (IIPM) with Calcutta as the headquarters and the National Institute of Labour Management (NILM) with Bombay as the headquarters. These two places were the premier centres of traditional industry (jute and cotton respectively) in pre-independent India. Corporate power was sought avowedly as a means of performing the welfare work more effectively rather than in the self-interest of the profession as such. In the years immediately after the Second World War and Independence, the welfare needs of the working class grew along with rising expectations.

During the 1960s in India, the personnel function began to grow beyond the welfare aspect, with the following three major areas of practice i.e., Labour Welfare (LW), Industrial Relations (IR) and Personnel Administration (PA) developing as constituent parts of the emerging profession of Personnel Management (PM).

Simultaneously, the massive thrust given to heavy industry in the context of planned economic development, particularly since the Second Five Year Plan (1956-61), and the accelerated growth of the public sector in the national economy resulted in a shift in focus toward professionalisation of management.

By the 1970s a shift in personnel professional values was discernible, obviously in response to changes in environment. It was a change from a concern for welfare to a concentration on efficiency. In 1980s, professionals began to talk about new technologies, Human Resource Management (HRM) Challenges, and Human

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Resource Development (HRD). The two professional bodies, IIPM and NILM, merged in 1980 to form National Institute of Personnel Management (NIPM).

There is growing awareness about the importance of the human side of organisations to overall progress. There is a realisation now that even in the sphere of technology, it is the automation in the minds of people that worries most than the automation of machines. There are no two opinions on the fact that people, not science and technology, will determine our future, as also that of organisations, and the world we live in and the way we live. In that sense, as seen in Chart I, the personnel function, which had an inauspicious beginning in the 1920s will blossom into a profession, when its outlook becomes philosophical and the focus rests on upholding human values.

Chart I
Evolution of Personnel Function in India

Period	Development	Outlook	Emphasis	Status
1920s & 1930s	Beginning	Pragmatism of Capitalists	Statutory Welfare/ Paternalism	Clerical
1940s to 1960s	Struggling for recognition	Technical; Legalistic	Introduction of techniques	Administrative
1970s & 1980s	Impressing with sophistication	Professional Legalistic; Impersonal	Regulatory Conformance; Imposition of standards on other functions	Managerial
Late 1980s & 1990s	Promising	Philosophical	Human values; Technology & Productivity through people	Executive

2.2 IS PERSONNEL A PROFESSION?

What makes a professional? What distinguishes professionals from other respected occupations? On analysis, we can discern three distinct characteristics:

- their qualifications, usually a specific body of knowledge
- their progress and relentless drive for improvement through membership of a professional association
- their standard of ethics which motivates and guides them towards desired goals

Academic Qualifications

Occupations pursuing professionalising strategies have sought the cooperation and legal backing of the State in their attempts to gain a monopoly of control over training.

To qualify in other well established professions such as medicine and law, members must first meet definite academic requirements. In the sphere of management, certain specialisations like chartered accountancy and company secretaryship have grown to be professions in the sense that members must first acquire the formal qualifications specified for entry into respective professions. The hegemony of professions has been challenged by increased pressures on them and by state intervention. Barefoot doctors, untrained nurses and untrained teachers attempted to break the hegemony of the respective professions. But the trained elites resisted such intrusions through the creation of a hierarchical 'grade' system of trained and untrained personnel with better pay and accelerated promotional opportunities for the former. The state, in its use of the power to license practice, has generally endeavoured to keep open a plentiful supply of cheap labour. For instance, though company secretaries succeeded in obtaining a charter for their profession through legislation in Parliament only recently, firms with paid up capital of less than Rs. 25 lakhs are permitted by law to have ordinary commerce graduates as company secretaries.

There are no definite academic requirements for entry into Personnel function in India or in most other countries. The exception, however, is with regard to the legislation regulating employment of welfare inspectors under the Factories Act.

Formal qualifications and criteria for recognition exist merely for the posts of welfare inspectors under the Factories Act, but not for others in personnel function. Although there are many courses of study available to personnel managers, it is not necessary to complete even one of these in order to hold responsible positions in personnel function. Personnel management has been considered more a process of osmosis and rote than specialised preparation for a profession. Education, training facilities, and practices have been highly fragmented.

Personnel specialists expanded their sphere of influence by cashing in on the "inadequacies" and "trained incapacities" of engineers in line management. Most of the functions now performed by personnel were once the forte of line managers. The growth of unionism, state intervention through a spate of legislation and code of practices, the stress on statutory welfare, and concern for broader and consistent policies in large, complex organisations made it easy for personnel specialists to expand their role and enhance their status. The increased incidence of conflict with a better organised workforce and the threat of legal prosecution have enabled the personnel to acquire additional clout in the organisational power structure. Still, the human relations and social skills which are part of the profession's stock-in-trade are too indeterminate to form a sufficiently exclusive and distinctive basis on which to claim a monopoly. In personnel selection, psychological testing has become a separate specialisation. With HRD becoming the recent fad, training and development is burgeoning into an autonomous discipline, unmindful of the disillusionment and disinterest of line management over the stripping of their role in developing people.

In the designing and evaluation of jobs and in providing incentives to motivate people, the refinements in technology and skills require expert knowledge of industrial and human engineering. The wheel seems to have taken a full circle since Taylor and at least part of the work that personnel usurped from engineers in line management is going back to engineers now, in staff function.

The maze of labour legislation virtually made legal qualifications imperative to handle the industrial relations function. A critique of personnel education in the country referred to the students of personnel as the children of the Industrial Disputes Act and called for deemphasising the legal aspects of industrial relations in the function. A similar view was endorsed at the National Workshop on Industrial Relations Teaching and Research conducted by the National Labour Institute at Delhi in February, 1982.

With the advances in information technology, the personnel specialists are now increasingly using Computers. Going far beyond traditional payroll preparation, computers are being used for human resource inventories, facilitating collective bargaining, thus becoming a vital input for strategic human resource planning and management.

Thus the expanding role of personnel in organisations is accompanied by corresponding developments in virtually every subfunction to blossom or burgeon into relatively more exclusive, autonomous disciplines, with some of them striving to achieve the status of a profession within a profession which all along eluded the personnel function itself.

Professional Association

Personnel specialists and practitioners formed into associations decades ago. In the recent past, two such major professional bodies merged to form a single professional body, National Institute of Personnel Management (NIPM) at the national level. But, the sphere of influence of NIPM over aspects concerning the personnel function is rather limited. Unlike other professions, particularly chartered accountancy and company secretaryship, personnel could not obtain a charter for what the latter claim to be a profession.

NIPM conducts pre-entry and post-experience training programmes and organises seminars and conferences to update members on current issues and techniques. But it has virtually no say in the accreditation of academic courses in personnel. The government does not consult NIPM on this. The Indian Medical Association, the Bar Council, the Institute of Chartered Accountants and the like have jurisdiction in limiting the entry of people into respective professions, but NIPM or any other personnel professional body does not have similar jurisdiction in personnel education.

NIPM's record of contribution to relevant policy-making, representation in tripartite forums, and authority to morally bind its members to certain basic professional values is extremely limited. Even expulsion from NIPM membership does not disqualify the person from continuing in the profession.

Thus, while it may be unfair to underestimate the positive contributions made by NIPM to the cause of personnel, it is equally hard to concede that it meets the requirements expected of a professional association, as yet.

Ethics

To be in a profession means to profess, to take a vow of service, to live one's career by a higher standard than is expected of others. The medicos have their Hippocratic oath, but personnel has none. A certificate or a degree can at best serve as a label or as a professional identification, but there is a marked difference between professional identification and professional conduct.

The central theme of any profession is unselfish service to mankind, not service to self. Personnel can and should seek to achieve professionalisation through performance marked by better outlook, attitude and practice. At a recent convention on excellence in personnel, some senior personnel managers admitted to the need, in the first instance, for setting out minimally desirable standards of performance and attaining them before one could talk about excellence.

Activity A

Collect the professional codes of ethics which doctors, lawyers, and chartered accountants have. Study them. On the basis of your study, can you develop a code of ethics for personnel professionals?

...have. Study them. On the basis of your
personnel professionals?

2.3 EXTERNAL ENVIRONMENT FOR PERSONNEL

Organisations are becoming large and complex, with the progressive industrialisation and advent of new technologies. Over the years, government intervention in regulating organisational purposes and performance has increased. Social obligations, legal aspects and trade union pressures are actively shaping the environment. Here we shall consider some of the environmental trends in terms of five principal environmental aspects:

- Economic
- Demographic
- Socio-cultural
- Political
- Technological

Economic

Low growth (3.5% long-term average), high rate of inflation (8.5%), and spreading unemployment have been principal sources of concern on the economic scene. To achieve full employment at a 2.4% growth in population, the number of jobs should rise by 3.9%. The International Labour Organisation estimated that US \$ 6250 is needed to create a new job in developing countries like ours. Capital-employment and capital-output ratios have declined progressively during the plan period. Inequities in income and wealth distribution have increased over the years, despite government initiatives to counter the same. Affirmative actions for the disadvantaged groups have brought in their wake new pressures for reservations in education and employment based on heredity, nativity, sex, caste and creed. Employment is sought and created in bulk of public sector units for its own sake. Together these factors and forces have put the nation on a reverse gear. The result has been the pursuit of backwardness.

Demographic

Over a period of time, the profile of employees, industrial workers in particular, has been changing. Labour is not restricted to certain castes and communities. Social mobility accounts for the emergence of a mixed industrial workforce. While in traditional industries this change is slow, one can notice it in relatively sophisticated industries such as engineering, oil refining and distribution, chemicals and petro-chemicals, machine-tools, etc. The background of the intermediate and lower cadres in the latter industries is overwhelmingly urban; their level of education is higher; they come from middle or lower middle classes. Moreover the old social barriers are breaking down. The old distaste among certain groups for manual work is gradually wearing off because the groups themselves have not retained their separate identity as of old and also because jobs are not wholly manual.

Higher skills and educational requirements expected of workers in modern factories and better wage levels have tended to blur further the traditional distinction between manual and non-manual workers. Employees are seeking and demanding parity in employee benefits among different categories and levels. The evolving social and political climate in the country also has its impact in shaping and expediting these changes in the composition of workforce and their disposition towards work place.

The sex composition of the workers has also been changing. Earlier, women were recruited mainly as labour in agriculture and related traditional industries like plantations, etc. Now they are increasingly occupying white collar and managerial positions. Working women, especially in developing countries like ours, are beginning to resist discrimination against them by employers and sexual harassment at work place.

Socio-cultural

Hindu religion and culture does not teach people to be idle. It is enjoined that one should do one's duty not in return or expectation of its fruit but because it is one's dharma. High quality work without supervision over long hours, almost unrelated to its fruits in monetary terms, is done by the self-employed persons, e.g., craftsmen, fishermen, housewives, and employees of small unorganised units, in towns and villages. On the other hand, the question of lack of work culture or ethics is discussed

Technological

Technological imperatives are limiting the options available. However, more number of jobs are lost due to sickness than due to modernisation and automation. Delays in absorption, failures in adaptation, absence of economies of scale, high costs and cost-push tendencies due to the nature of competition have restrained the positive features of technology.

Nevertheless, technological changes have reduced the dependence on muscle power in manual jobs, and manual labour in clerical and other white collar occupations. The advent of modern technology has rendered work on the shop-floor and the office more alike. Job content and methods of production are changing. Modifications occur in the size and composition of work groups. The network of social relations among employees is also affected. Secular shifts in consumption patterns and technological developments have displaced artisans such as weavers, potters, fishermen, washermen, etc. Technical training institutions began to impart training in skills such as carpentry and weaving which once used to be the exclusive domain of people belonging to certain castes. In retrospect, these changes had the following effects on the individuals: the link between caste and occupation was broken, the skill of artisans which was more personal and manual was replaced with the skill of technicians which is more impersonal and mechanical; job performance depended more on dexterity in handling machines than exercising one's skill or craft and thus individual's pride in his contribution to final output, for which Indian artisans were renowned, was reduced.

2.4 ORGANISATIONAL CONTEXT

Managing in turbulent times requires organisations to raise basic questions as to their nature and purpose. Strategic management involves consideration of the following aspects:

- Mission and Strategy
- Formal Structure
- Human Resource Systems.

These three aspects are discussed here from the personnel management point of view.

Mission and Strategy

An organisation needs a reason for being i.e. mission, and a sense of direction as to how to carry it out i.e. strategy. Most of our organisations, particularly in the public sector, have multiple objectives. The loose definition of objectives and their plurality often provides an excuse to dilute accountability. The paucity of data on human resources often makes it difficult to include it in the process of strategy formulation.

The macro-objective of Gross National Product (GNP) and the standard of living and the micro-objective of Return on Investment (ROI) and quality of work life provide enormous opportunities for the personnel function to make significant contributions. Personnel should adopt the language of business and relate its effectiveness in relation to the business objectives concerning output, profit, and contribution to society. Peers in other functions focus on income, assets, liabilities, sales, costs and profits while personnel continue to talk about feelings. The traits which characterise personnel function today are:

- it is largely a reactive service
- employees are viewed as adversaries, not as partners or stakeholders
- employees constitute an element of cost, not an asset

There is need for a change in personnel perspectives to develop common interests and common language.

Peter F. Drucker observes that few factors are as important to the performance of an organisation as measurement. And, especially in personnel, measurement is the weakest area. Personnel should know how to objectively measure their activities, to get over the subjectivity myth and overcome the values conflict. Until this happens, personnel would mean many things to many people and respect for and recognition of personnel would remain a far cry. Personnel should use information about their performance to gain recognition and acceptance. Numbers are important because

words are imprecise. The role of personnel in strategic planning would be substantial if a personnel manager's results guide has some of the following examples as performance standards:

- Employee costs per unit of production service shall be held at.....(base year) and indexed to.....as a percentage of fixed and semi-variable expenses.
- At least 66.6% of increased cost of improvements in the Long-term Agreement shall be met through improvement in employee productivity.
- During the next.....years, there shall be a reduction of.....% in down time of plant and machinery.....% in the avoidable waste of materials and.....% in absenteeism beyond authorised leave.
- Ensure that 33.3% of saving arising out of the three factors above will be distributed to ensure improvement in the individual employee's earnings.
- An individual employee must move up.....grades in his work span of.....years through careful manpower and succession planning.
- At least 25% of vacancies in the managerial cadre shall be filled from amongst the lower job holders through appropriate training and development programmes.

Formal Structure

People and tasks are organised to implement the organisation's strategy. The organisation's formal structure includes its systems of financial and operating control systems. The number of levels between the operator at the lowest rung and the chief executive at the highest rung in the hierarchy has increased from 5 to 15 in the last fifteen years or so. We have more people at the middle level to supervise and get work done than those who do the work. Managers by themselves do not produce. Promotion policies designed to make individual aspirations are causing more problems in achieving organisational purposes.

Organisations need three levels: operating, managerial and strategic. At the operational level, the day-to-day management of the organisation is carried out. The managerial level focuses on the processes by which the organisation obtains and allocates the resources needed to carry out its strategy and objectives. The strategic level deals with policy formulation and overall goal setting; its objective is to position the organisation in the best possible way to deal effectively with its environment. The three levels do not operate in a top-down system, but provide feedback loops for upward communication.

As mentioned above, in most Indian organisations the levels of managerial activity have been increased largely to accommodate the aspirations for promotions that individual employees have. In the process, employees are promoted, jobs are downgraded and responsibility is blurred.

Organisations operate in an ever changing environment. Hence there is need for changing assumptions about organisation structures also. Modern organisations involving high technology and educated workforce require relatively flat and not pyramidal structures. There is need for evolving new approaches and strategies in manpower and career planning systems and building them into organisation planning. This is a major challenge and opportunity for personnel in the changing organisational context.

Human Resource Systems

People are recruited and developed to do jobs defined by the organisation's formal structure; their performance must be monitored and rewards allocated to maintain productivity.

An analysis of the human resource system of large companies should yield information about what assumptions the designers of these systems hold about people. Are they people of McGregor's Theory X type or Maslow's self-motivators seeking self-actualisation? There may be problems in articulating an individual manager's beliefs, but one can deduce the real beliefs from the control systems they use. And since they are usually designed on an ad hoc piece-meal basis, one can find many incongruities and incompatibilities. If an organisation has got systems to punish but not to reward people, the former too become defunct over a period of time because a manager who does not have the power to reward forfeits his right to punish, at least in course of time.

Peters and Waterman point out that “excellent” companies have clearly articulated their management philosophy and its relationship to the specific policies of the organisation. Some of the dimensions that management might consider in the design of the human resources systems include the following:

Nature of employment	: Job or career
Degree of participation in decision-making	: Top-down or bottom-up
Labour Markets	: Outside recruitment for higher posts or promotions from within
Incentives	: Individual or group

Organisations vary in regard to the degree to which they provide careers to their employees, encourage participation, promote from within and orient their systems toward collective, group based performance. Many will have a mixture of the two choices mentioned above. In some cases, the system is a matter of choice and is meant to support a cultural orientation towards a cooperative rather than competitive climate. But most organisations covered by Peter and Waterman (included in Fortune USA 500 companies) seem to stress on “challenging and meaningful work” with stress on participation, upward mobility and group performance. In the Indian context, social compatibility becomes a relevant issue. We should also be careful in generalising and in being prescriptive. For example, the concept of life-long employment and preference to employees’ children in employment which seem to work well in the case of Tata Steel proved to be disastrous in those of some other companies. Hence the need to be wary about the organisational context regarding strategic choices in human resource systems.

2.5 SUMMARY

We have briefly examined the changing role of personnel and the shift in concern from welfare to efficiency. We have also examined whether personnel is a profession and meets the requirements of rigorous academic training, professional association and standard of ethics. We have also noted that in the turbulent environment in which our organisations operate, economic, demographic, socio-cultural, political and technological forces affect personnel policies and practices. Within the organisation context, three aspects are important. They are: the mission and strategy, formal structure and systems. While highly successful companies articulate their management philosophy which bears a close relationship with the specific policies of the organisation, it is difficult to make any generalisation and be prescriptive about it.

2.6 SELF-ASSESSMENT TEST

- 1 What is a profession? Is personnel a profession in India? Discuss.
- 2 Examine the changing role of personnel in India.
- 3 Outline the factors influencing personnel environment in India and discuss their implications.
- 4 Discuss the present status of personnel function in the organisation context with particular reference to the strategy, structure and systems.

2.7 KEY WORDS

Environment: Aspects, conditions or objects surrounding an organisation

Mission: Task to be performed

Strategy: Plan to achieve a certain task

Structure: Framework of an organisation

2.8. FURTHER READINGS

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UNIT 3 FUNCTIONS AND OPERATIONS OF A PERSONNEL OFFICE

Objectives

The objectives of the unit are to:

- explain what personnel management is;
- describe the characteristics of personnel management
- identify the objectives of personnel management and the various pre-requisites for the fulfilment of objectives
- list various functions and operations of personnel management
- understand how a personnel office is organised
- realise the various roles played by a personnel manager and the qualities of a successful personnel manager
- understand the position of a personnel department in the organisation.

Structure

- 3.1 Introduction
- 3.2 Characteristics of Personnel Management
- 3.3 Objectives of Personnel Management
- 3.4 Functions and Operations of Personnel Management
- 3.5 Organisation of a Personnel Office
- 3.6 The Personnel Manager
- 3.7 Position of Personnel Department in the Organisation
- 3.8 Conclusions
- 3.9 Self-assessment Test
- 3.10 Further Readings

3.1 INTRODUCTION

An organisation is formed for the fulfilment of certain objectives like earning a desired rate of profit on investment, exploitation of certain natural resources, development of a given geographical area, and supplying to the public some essential goods or services. Machines, materials, money and all other non-human resources are the tools and aids that man uses to achieve his tasks. Thus, a proper selection of men, their tactful handling and proper management is the essence of good overall management of an organisation.

However this is the most difficult of all the management tasks in an organisation. Some people also say that 'management' means 'managing men tactfully'. One often comes into contact with the personnel department of one's office, for example, for selection, placement, training, discipline, grievance handling, wage administration, dismissal, etc. However, there are certain aspects of the work of a personnel department which may not be very obvious.

3.2 CHARACTERISTICS OF PERSONNEL MANAGEMENT

Personnel Management is known by various names. These are Personnel Administration, Labour Management, Industrial Relations, Employee Relations, Manpower Management, etc. The manager who performs this function is also, likewise, called by various names, like Personnel Manager, Employee Relations Manager, Industrial Relations Manager, Labour Relations Manager, Labour Officer, Labour Welfare Officer, Welfare Officer, Personnel Officer, Employee Relations Officer, Industrial Relations Officer.

The following are the basic facts and characteristics of Personnel Management:

It is concerned with employees: Personnel Management is concerned with employees both as individuals and also as a group. Personnel Management is a function or activity aiding and directing workmen in maximising their personal contribution and satisfaction in employment, bringing them an equitable, just and humane treatment, and adequate security from employment.

It covers all levels of personnel: It refers not only to labour or, what you may call 'blue collared' employees, like craftsmen, foremen, operatives and labourers, but also the 'white collared' employees, like professional and technical workers, managers, officials, clerical workers, sales workers, etc.

The concern for the employees is to help them: The employees are helped to develop their potentialities and capacities to the full so that they can derive the greatest satisfaction from their work.

It is inherent in all organisations: It is as useful and effective in government departments and non-profit organisations as in a business organisation. Moreover, it covers all types of functional management such as production management, financial management, marketing management etc.

It is of a continuous nature: Personnel management requires constant alertness and awareness of human relations and their importance in everyday operations.

It attempts at getting the willing cooperation of the people for the attainment of the desired goals: This is necessary because work cannot be effectively performed in isolation without the promotion and development of an esprit de corps.

3.3 OBJECTIVES OF PERSONNEL MANAGEMENT

The objectives of Personnel Management are given below:

- 1 To achieve an effective utilisation of human resources for the achievement of organisation goals.
- 2 To establish and maintain an adequate organisational structure and a desirable working relationship among all the members of an organisation by dividing the organisational tasks into functions, positions, jobs and by defining the responsibility, accountability, authority for each job and its relation with other jobs/personnel in the organisation.
- 3 To secure the integration of the individuals and groups with the organisation by reconciling individual/group goals with those of an organisation in such a manner that the employees feel a sense of involvement, commitment and loyalty towards it. The absence of this integration will allow development of frictions, personal jealousies and rivalries, prejudices, personnel conflicts, cliques, factions, favouritism and nepotism. These will produce inefficiency and result in failure of the organisation.
- 4 To generate maximum development of individuals/groups within an organisation by providing opportunities for advancement to employees through training and job education or by offering transfers or by providing retraining facilities.
- 5 To recognise and satisfy individual needs and group goals by offering an adequate and equitable remuneration, economic and social security in the form of monetary compensation, and protection against such hazards of life as illness, old age, disability, death, unemployment etc. With adequate compensation and security, employees work willingly and cooperate to achieve an organisation's goals.
- 6 To maintain high morale and better human relations inside an organisation by sustaining and improving the conditions so that employees may stick to their job for a longer period.

Activity A

Think of the extent to which, according to your estimate, these objectives are being fulfilled by the personnel office in your organisation and write below the extent of such fulfilment, choosing one of the following for each objective:

- (i) Adequately (ii) To some extent (iii) Not at all.

Objectives	Extent
1	
2	
3	
4	
5	
6	

Write below against each objective what more you would like to have done in your organisation:

Objective	Suggestions
1	
2	
3	
4	
5	
6	

Considering these objectives, you will perhaps agree that the objectives are in the best interests of all those to whom management is responsible i.e. owners of enterprise, the community, the consumers of its goods and services, and members of the organisation itself, including groups who may belong to unions.

For enabling the Personnel Manager to fulfil these objectives the top management has to create some conditions as the pre-requisites. These are described below.

- 1 Existence of capable people in the organisation picked up on the basis of their merits and not on other considerations. If people are selected on other considerations they will be misfits, creating all sorts of problems for the organisation and other employees.
- 2 Plans for effective utilisation of efforts and potentialities of individuals and groups for appreciation of work well done and for future advancement and training. If people are left on their own, nothing will be achieved. They have to be provided with necessary opportunities and means, and given encouragement.
- 3 Considering employees as co-workers rather than as subordinates. If this is not done employees will not consider it their responsibility or duty to fulfil the objectives of the organisation.
- 4 A proper division of tasks of an organisation in accordance with a sound plan into functions and positions, each indicating a clear-cut authority, responsibility and duties as also relationship of one position with another. In the absence of such a division, chaotic conditions will prevail and no work will be done properly or even done at all.
- 5 The presence of clearly defined and comprehensive objectives and proper communication to all concerned. If objectives are not clear and if people, who are expected to work for achieving these, do not know about these, they cannot be expected to achieve them.
- 6 The formulation of objectives in consultation with senior persons in the organisation and common understanding among managers at all levels of the objectives. If the senior staff or personnel have not participated in the formulation of objectives they may not feel any real responsibility for achieving these. If managers at any level do not understand the objectives, they will not know why they are doing a given work what is expected of them and as a result may not even do it properly.

Activity B

- a) On what basis are employees selected in your organisation and what weightage is given to each one of these bases?

Basis

Weightage

1

2

3

4

5

- b) What is the prevailing attitude of superiors towards the employees in your organisation:

Employees work for them

Employees work **with** them

- c) Assess the division of tasks in your organisation and write below if the authority, responsibility and duties of various functions and positions are clearly indicated:

For all ☐ For most of them ☒ For some of them ☐ For none ☐

- d) Do you have a clear understanding of the objectives of your Organisation?

Yes ☐ No ☐

- e) Do you have a clear understanding of the objective of your Division/Department/Section? Yes ☐ No ☐

If yes, how are these communicated to you?

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3.4 FUNCTIONS AND OPERATIONS OF PERSONNEL MANAGEMENT

Personnel functions are generally divided into two categories, i.e. Managerial and Operational. In fact, these are two levels at which each function is to be performed. Each function is part of a management plan and has to be given practical shape at the operational level. This will be clear from the following chart, which shows various functions classified under the broad functions of management, viz., Planning, Organising, Staffing, Motivating, Controlling. It also gives objectives in relation to each, what may be called managerial function. Under each objective are given operations performed for achieving the objective concerned.

Functions of Personnel Management

Functions and Operations of a
Personnel Office

(A) PLANNING MANPOWER REQUIREMENT

Function: Anticipating Vacancies

- Objective: To anticipate and provide for future openings.
- Operations:
1. Anticipating deaths, dismissals, retirements, and resignations
 2. Anticipating future promotions
 3. Anticipating future transfers
 4. Estimating future vacancies from the above causes
 5. Estimating additional future positions

Function: Recruitment

- Objective: To seek and attract qualified applicants to fill vacancies
- Operations:
1. Preparing job analysis
 2. Preparing man specifications
 3. Analysing the sources of potential employees
 4. Attracting potential employees

(B) ORGANISING THE MANPOWER RESOURCES

Function: Organisational Planning

- Objective: To determine the organisational structure and manpower needed to effectively meet the company objectives.
- Operations:
1. Analysing organisational structure
 2. Forecasting manpower requirements
 3. Recommending organisational changes
 4. Analysing key position requirements

Function: Selection

- Objective: To analyse applicants' qualifications for determining their suitability
- Operations:
1. Preparing questionnaires
 2. Weeding out undesirables through analysis or questionnaires
 3. Interviewing the applicants
 4. Testing the applicants psychologically, where necessary
 5. Investigating their references
 6. Arranging medical examination, if necessary
 7. Evaluating the applicants and making the final selection

Function: Classification of Employees

- Objective: To assign officially each employee to an appropriate position clearly defined regarding its responsibilities.
- Operations:
1. Preparing the job descriptions
 2. Assigning of proper title to each position
 3. Reviewing periodically the correctness of job descriptions

(C) STAFFING

Function: Induction

- Objective: To ensure that new recruits are provided with appropriate training and information to enable them to perform their duties effectively.
- Operations:
1. Orienting new employees into their jobs
 2. Ascertaining training requirements of such employees to make them more competent for their jobs
 3. Providing facilities for their future education and development

Function: Transfer and Promotion

- Objective: To provide for increasing the utilisation of the employee's capabilities
- Operations:
1. Continuously analysing job descriptions
 2. Evaluating employee qualification
 3. Determining training requirements
 4. Promotion according to employee's development

Function: Manpower Development

- Objective: To provide for the individual employee's development
- Operations:
1. Developing performance standards
 2. Appraising performance
 3. Planning individual development programmes

Function: Training

- Objective: To arrange programmes as required for developing existing personnel
- Operations:
1. Planning and preparing training programmes
 2. Providing training staff and faculty resources
 3. Conducting the training programmes
 4. Evaluating the training results

(D) MOTIVATING

Function: Rate Determination

- Objective: To set rupee values on job positions that are fair and equitable when compared with the other positions in the company as well as what prevails outside
- Operations:
1. Analysing jobs and giving job descriptions
 2. Evaluating such jobs
 3. Developing wage scales

Function: Recreation

- Objective:** To provide facilities for employee's enjoyment of the job and make the company more attractive and satisfying as a work place.
- Operations:**
- 1 Conducting social activities
 - 2 Conducting athletic activities
 - 3 Providing recreational facilities for employees

Function: Communications

- Objective:** To provide the needed exchange of information throughout the organisation
- Operations:**
- 1 Developing channels and media for information presentation to employees
 - 2 Introducing and administering suggestion scheme
 - 3 Conducting opinion surveys
 - 4 Developing grievance procedures

Function: Collective Bargaining

- Objective:** To build up rapport with officially recognised and legally established employee organisations in the best interests of both the company and its employees
- Operations:**
- 1 Negotiating agreements
 - 2 Interpreting and administering such agreements

Function: Employee Discipline

- Objective:** To develop effective work regulations and harmonious working relationships
- Operations:**
- 1 Establishing rules for conduct
 - 2 Administering disciplinary measures, where necessary

Function: Performance Evaluation

- Objective:** To appraise objectively each employee's performance in relation to the duties and responsibilities assigned
- Operations:**
- 1 Developing performance evaluation
 - 2 Conducting performance evaluation interviews
 - 3 Analysing performance evaluation results

Function: Employee Counselling

- Objective:** To help employees solve their personal problems
- Operations:**
- 1 Selecting and training counsellors
 - 2 Arranging counselling interviews
 - 3 Assessing extent of help actually rendered

Function: Safety

- Objective:** To develop facilities and procedures for prevention of on-the-job accidents
- Operations:**
- 1 Establishing safety rules
 - 2 Investigating accidents
 - 3 Conducting safety inspections
 - 4 Preventing or eliminating hazards

Function: Medical Services

- Objective:** To prevent diseases and physical ailments as well as care for diseases, ailments, and injuries sustained by employees on the job
- Operations:**
- 1 Developing and administering prevention programmes
 - 2 Examining employees and job applicants
 - 3 Providing medical treatment
 - 4 Educating in health matters

Function: Protection and Security

- Objective:** To provide precautionary measures for safeguarding the company and its property from theft, fire, etc.
- Operations:**
- 1 Developing and administering security regulations
 - 2 Organising fire fighting services
 - 3 Providing guard or watchman service

Function: Personnel Research

- Objective:** To develop improved employee attitudes and conditions of work
- Operations:**
- 1 Analysing personnel problems
 - 2 Recommending improved practices

The chart above gives one way of classification of functions. Different experts of Personnel Management, and Institutions like the Indian Institute of Personnel Management, have classified these functions differently.

Some of the operations mentioned in the schedule are self-explanatory. A few of these may perhaps require further explanation, which is given below:—

Job Analysis is the determination of the tasks which comprise the job and the skills, knowledge, abilities and responsibilities required of the worker for a successful performance and which differentiate one job from all others.

Job Description is a statement describing the job in such terms as its title, location, duties, working conditions and hazards.

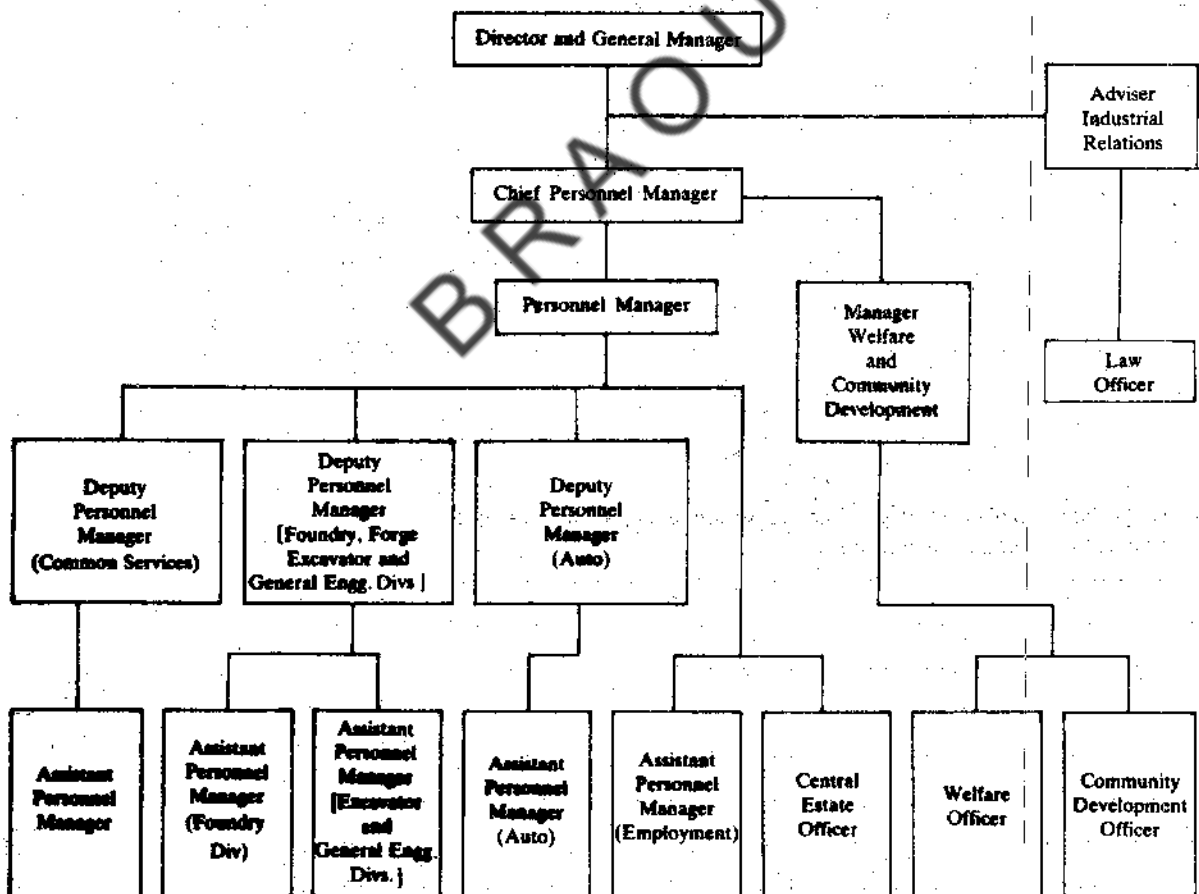
3.5 ORGANISATION OF A PERSONNEL OFFICE

The first step in the organisation of a personnel office is to list all the activities that are to be undertaken by it, looking not only to the present requirements of the organisation but also to future requirements.

It may be noticed that not all the personnel functions are equally important to all organisations at all times. Their relative importance would differ from each other depending upon various factors. Some of these factors are the size, the nature, its social, economic, cultural, political and legal environment, the mental make-up of personnel officers, and the overall philosophy of business.

The less important of these factors may be suitably combined with the closely related important ones. The activities should then be grouped function-wise and put under the concerned functions. A group of related functions should be put under a particular Section and the various Sections under the Personnel Manager. Depending upon the number of Sections and functions, the Personnel Manager can have one or more Deputy Managers or Assistant Managers. Much will depend upon the size of the organisation, the management philosophy and management appreciation of personnel functions. Personnel Manager can also depute some persons to advise him.

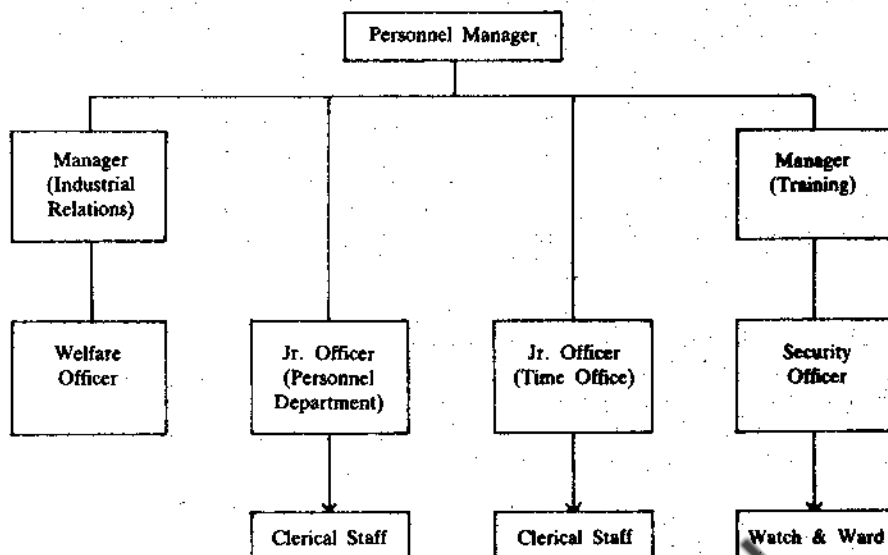
Figure 1 Organisation Chart of Personnel Department of TELCO Ltd. at Jamshedpur



You will notice here that for some functions the Personnel Manager is helped by the Deputy Personnel Manager but for others by an Assistant Personnel Manager or an Officer. This depends on the relative amount of work in, or importance of a function.

In a smaller organisation the Organisation Chart is simpler, as given in Figure II. This is the Organisation Chart of Personnel Department of National Machinery Manufacturers Ltd. (NMM)

Figure II Personnel Organisation Chart of NMM



Activity D

Study the organisation chart of the Personnel Department of your organisation, discuss it with the persons who can explain to you what factors were considered to make it what it is now and write the factors below:

- | | |
|---------|---------|
| 1 | 2 |
| 3 | 4 |
| 5 | 6 |

3.6 THE PERSONNEL MANAGER

A personnel manager plays a variety of roles in accordance with the need of the situation. These are given below:

The Conscience Role

Under this role the personnel manager reminds the management of their moral and ethical obligations towards employees.

The Counsellor Role

Under this role he encourages the employees to meet him frequently for consultation and discussion of their mental, physical and career problems, and at times even their family problems.

The Mediator Role

Under this role, he tries to settle disputes between labour and management as also those between an individual and a group. He is not only a peace-maker but also serves as a liaison man and a communicating link.

The Spokesman Role

Under this role he works as a spokesman for or as a representative of his organisation. This he is able to do as he deals intimately with many key organisational activities and functions and has a better over-all picture of his company's operations.

The Problem Solver's Role

He is a problem solver in respect of issues involving human resource management and over-all long-range organisational planning.

The Change-Agent Role

He serves as a change-agent in respect of introduction and the implementation of major institutional changes.

3.7 POSITION OF PERSONNEL DEPARTMENT IN THE ORGANISATION

Production and Marketing Departments of a concern are the ones where the main activities of a business organisation are concentrated. They produce and market things and services in which the organisation deals. The Finance Department helps these Departments by providing the required finance at the required time; The Personnel Department helps by providing the required type of people with required training, required attitudes and the required fabric of inter-relationships. The Departments that provide the supportive services are called 'staff' departments, while production and marketing departments are called the 'Line' departments. 'Line' functions are those which have direct responsibility for accomplishing the objectives of the organisation. 'Staff' functions are elements of the organisation that help the line functions to work most effectively in accomplishing the primary objective of the enterprise.

The Personnel Department has 'staff' relationship with other departments. It acts in an advisory capacity. The staff people should not behave as if they were experts and they only knew what was best for the line people. Such an overbearing attitude cannot induce cooperation or acceptance. If an attitude of patience is adopted and the right atmosphere created the line manager will look forward to assistance, help, advice from the personnel manager and his department.

3.8 CONCLUSION

This unit has attempted to explain what personnel management is, what its scope is and what its characteristics are. It has helped you to understand the various objectives of Personnel Management and the pre-requisites for fulfilment of the objectives. It has given you a detailed idea of the functions and operations of personnel management. It has helped you to know the process of organisation of a personnel office. You have come to know the various roles that a personnel manager has to play and what qualities are required for becoming a successful personnel manager. Lastly, it has helped you to understand the position of personnel management in the organisation.

3.9 SELF-ASSESSMENT TEST

Take each of the objectives listed in the beginning of the unit and regard it as a question. Working from memory, write, not more than half a page on each, so that you may assess whether you can recall the main points contained in this unit.

3.10 FURTHER READINGS

- Davar R.S., 1981. *Personnel Management and Industrial Relations*, Vikas Publishing House: New Delhi.
- French, Wendell, 1974. *The Personnel Management Process: Human Resources Administration*, Houghton Mifflin Company: Bombay.
- Monappa A., Saiyaddin, Mirza S., 1979. *Personnel Management*, Tata McGraw-Hill: New Delhi.
- Yoder Dale, 1971., *Personnel Management and Industrial Relations*, Prentice-Hall: Englewood-Cliffs.

UNIT 4 MANPOWER PLANNING

Objectives

Manpower strategies affect corporate strategies and vice versa. Manpower planning is an integral part of corporate planning. The objective of this unit is to:

- examine the purpose and process of manpower planning
- study the methods and techniques for projecting manpower supply and demand
- review the key concerns in developing a manpower strategy

Structure

- 4.1 What is Manpower Planning?
- 4.2 Objectives of Manpower Planning
- 4.3 Why Current Interest?
- 4.4 Planning for Future
- 4.5 The Manpower Planning Process
- 4.6 Projecting Manpower Supply and Demand at Organisation Level
- 4.7 Developing Manpower Strategy: Key Concerns
- 4.8 Summary
- 4.9 Self-assessment Test
- 4.10 Key Words
- 4.11 Further Readings

4.1 WHAT IS MANPOWER PLANNING?

Manpower planning may be defined as a strategy for the acquisition, utilisation, improvement and preservation of the human resources of an enterprise. It is the activity of the management which is aimed at co-ordinating the requirements for and the availability of different types of employees. This involves ensuring that the firm has enough of the right kind of people at the right time and also adjusting the requirements to the available supply.

The major activities of manpower planning include:

Forecasting future manpower requirements either in terms of mathematical projections of trends in the economy and developments in the industry or of judgemental estimates based upon specific future plans of the company.

Inventorying present manpower resources and analysing the degree to which these resources are employed optimally.

Anticipating manpower problems by projecting present resources into the future and comparing them with the forecast of requirements to determine their adequacy, both quantitatively and qualitatively.

Planning the necessary programmes of recruitment, selection, training, development, motivation and compensation so that future manpower requirements will be met.

Activity A

As part of this activity you are required to identify and tabulate the number of personnel at various levels and departments in your organisation. Compare your tabulation with the levels of personnel mentioned in the manpower plan of your organisation. Are there any major differences? Please find the reasons.

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4.2 OBJECTIVES OF MANPOWER PLANNING

The objectives of manpower planning are mainly:

- a) To ensure optimum use of human resources currently employed
- b) To assess or forecast future skill requirements
- c) To provide control measures to ensure that necessary resources are available as and when required
- d) A number of specific reasons for attaching importance to manpower planning and forecasting exercise are:
 - to link manpower planning with organisational planning
 - to determine recruitment levels
 - to anticipate redundancies
 - to determine optimum training levels
 - to provide a basis for management development programmes
 - to cost the manpower in new projects
 - to assist productivity bargaining
 - to assess future accommodation requirements
 - to study the cost of overheads and value of service functions
 - to decide whether certain activities need to be subcontracted, etc.

4.3 WHY CURRENT INTEREST?

Major reasons for the present emphasis on manpower planning include:

Employment-Unemployment Situation: Though in general the number of educated unemployed is on the rise, there is acute shortage for a variety of skills. This emphasises the need for more effective recruitment and retaining people.

Technological Changes: The myriad changes in production technologies, marketing methods and management techniques have been extensive and rapid. Their effect has been profound on job contents and job contexts. These changes cause problems relating to redundancies, retraining and redeployment. All these suggest the need to plan manpower needs intensively and systematically.

Organisational Changes: In the turbulent environment marked by cyclical fluctuations and discontinuities, the nature and pace of changes in organisational environment, activities and structures affect manpower requirements and require strategic considerations.

Demographic Changes: The changing profile of the work force in terms of age, sex, literacy, technical inputs and social background have implications for manpower planning.

Skill Shortages: Unemployment does not mean that the labour market is a buyer's market. Organisations have generally become more complex and require a wide range of specialist skills that are rare and scarce. Problems arise when such employees leave.

Governmental Influences: Government control and changes in legislation with regard to affirmative action for disadvantaged groups, working conditions and hours of work, restrictions on women and child employment, casual and contract labour, etc. have stimulated the organisations to become involved in systematic manpower planning.

Legislative Controls: The days of executive fiat and 'hire and fire' policies are gone. Now legislation makes it difficult to reduce the size of an organisation quickly and cheaply. It is easy to increase but difficult to shed the fat in terms of the numbers employed because of recent changes in labour law relating to lay-offs and closures. Those responsible for managing manpower must look far ahead and thus attempt to foresee manpower problems.

Impact of Pressure Groups: Pressure groups such as unions, politicians and persons displaced from land by location of giant enterprises have been raising contradictory pressures on enterprise management such as internal recruitment and promotions, preference to employees' children, displaced persons, sons of the soil etc.

Systems Concept: The spread of systems thinking and the advent of the

micro-computer as part of the on-going revolution in information technology which emphasises planning and newer ways of handling voluminous personnel records.

Lead Time: The long lead time is necessary in the selection process and for training and development of the employee to handle new knowledge and skills successfully.

4.4 PLANNING FOR FUTURE

The Manpower plan is a part of the corporate plan. Without a corporate plan, there can be no manpower plan. If there are several imponderables and unpredictables in the corporate plan, there will be difficulties in manpower planning. Whether or not the manpower plan meets the requirements and is in tune with reality depends on clarity in goals and validity of the stated assumptions. The other important point is the time frame in defining the 'future'. In manpower planning, the future can be classified into three periods: (a) the short-range or immediate future; (b) the mid-range; and (c) the long-range future.

None of these three can be spelt out in terms of set number of days, months or years. The "immediate future" may refer to the current situation and experiences and even concern issues such as overtime and replacements. If there has been previous planning for manpower, the plans may serve as a guide in the immediate future. If not, a beginning should be made at once.

The mid-range future has a different time span in various companies. It can be as short as a few months or as long as several years. Perhaps, most would agree that 2-3 years period as a mid-range.

The long-range could be 5 years, while 10 to 15 years span could be used for a perspective plan. Long range plans must be made on the basis of various trends in the economy and in the labour market, and on long-term trends of production in the company. Long-range plans are general rather than specific, flexible rather than rigid.

Nevertheless, a plan can be extremely useful in identifying factors and trends that need to be reckoned with for early warning of possible problems. The long lead time provides the opportunity and resilience to meet exigencies and make necessary adjustments. More complete plans can be had as time slowly brings the long-range into short-range.

4.5 THE MANPOWER PLANNING PROCESS

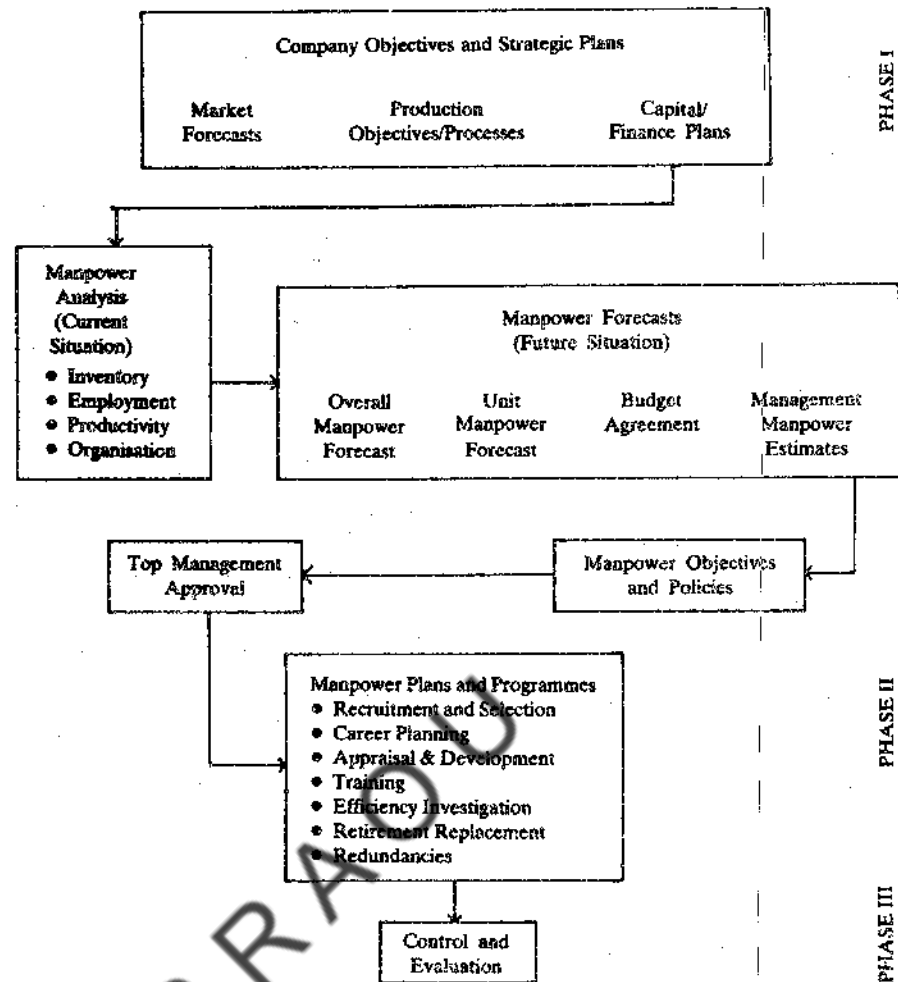
The manpower plan influences the corporate strategy and is in turn influenced by it. The manpower planning process may incorporate all the stages shown in Figure 1. The planning process may not always give exact forecasts. To be effective it should be a continuous process with provision for control and review.

The first step in the manpower planning process is the establishment of a planning horizon. One should know the period for which the manpower plan will apply. Then, the specific corporate objectives and strategies should be clear. Based on these, estimates or projections for demand and supply manpower can be made using the approach and methods suggested in the next unit. The difference between the estimates of demand for and supply of manpower is often referred to as the 'manpower gap' and one of the main components of the manpower strategy is to formulate plans for closing it—perhaps by recruitment and training (if the demand is positive, i.e., demand exceeds supply) or by planned redundancy (if the gap is negative). Certain strategic considerations in manpower planning are discussed in section 4.7.

4.6 PROJECTING MANPOWER SUPPLY AND DEMAND AT ORGANISATION LEVEL

The paradox in manpower projections is that while the techniques are easy and simple, applying them successfully is enormously complex and difficult. Manpower

Figure 1 The Manpower Planning Process



projections are not an academic exercise or an end unto themselves. Their value lies in extending the range of other phases of manpower planning and, indeed of planning for other company functions.

Forecasts of manpower supplies and demands are of two types, estimates and projections. Estimates are educated guesses based on experience while projections are mathematical extensions of data on manpower into the future. Most forecasts involve both projections and estimates.

Forecasting Techniques

We shall now attempt to look at the aspect of forecasting future requirements. This can be done through various techniques.

The process of estimating manpower demand consists of four steps:

- an approach
- a basic factor
- a method
- a technique

Approach

There are eight possible approaches:

- | | |
|-------------------|-----------------|
| 1 Subjective | 2 Objective |
| 3 Global | 4 Component |
| 5 Techno-economic | 6 Non-economic |
| 7 Deterministic | 8 Probabilistic |

The order in which they are mentioned suggests the formation of four groups, each of which comprises two mutually exclusive approaches e.g. (i) Subjective or Objective, (ii) Global or Component etc.

The groups, between themselves, are not quite mutually exclusive.

A subjective approach to manpower demand estimation uses intuition, impression or judgement. Opposed to this, the objective approach tries to justify the estimate of demand on the basis of certain factors or logical explanations.

A global approach would try to estimate manpower demand as an overall figure, directly for the entire problem under consideration, whereas a component approach would first estimate the demand for segments of the problem and then aggregate it.

The techno-economic approach combines the technological, economic and organisational considerations mentioned earlier, whereas the non-economic approach utilises only socio-political and other considerations.

Basic Factor

A basic factor means a variable to which manpower demand can be related. The choice depends upon the number of considerations which together constitute the multi-dimensional framework of the particular problem facing us.

Methods

According to Gareth Steiner, statements about the future can be made in two senses:
What will occur?
What should occur?

According to Steiner, what is more significant than the time element is the way in which the change in one phenomenon i.e. manpower, is associated with change in another (basic factor, which was mentioned earlier)

The rate at which the change takes place exerts an influence on the frequency of measurement and forecasting required and affects the need for different kinds of feedback. In practice, what managers see as desirable will be influenced by past experiences. All these assessments involve making assumptions about managerial capacity, manpower utilisation or the rate of change in manpower.

According to Steiner, the major advantages of manpower forecasting are:

- a) It corresponds to the way managers commonly think and talk about manpower.
- b) It encourages the recognition that, even where output is not readily measurable, we can still make good forecasts of manpower, provided we can quantify work done in some way.
- c) It highlights the way in which we have to control the effect by other inputs such as capital on manpower requirements.

Techniques

In this context therefore, one can outline a few specific techniques of manpower demand forecasting.

Subjective

The forecast here is made on the basis of estimates by experienced people whose experience has taught them what types of changes are important and the rates of change involved. Implicitly however, subjective techniques involve subjective estimation of workload and manpower utilisation and their rate of change.

The advantage lies in that the data collection is required and intangible factors like social opinion, fashion, etc. can be built in. However, the disadvantage lies in the errors of the human mind which can be perpetuated while carrying out the exercise of demand estimation for manpower. Forecasts based entirely on subjective assessment are unlikely to give very good results. However, supplementing objective techniques with subjective estimates can be useful e.g. through using subjective probabilities.

Time Series Analysis

The time series extrapolation is a good method where it is sometimes not possible to

take an overall view of a group of staff, to base a forecast on estimates for workload and manpower utilisation.

There are four elements of the time series method:

Trend (T_t)

Cyclical effect (C_t)

Seasonal effect (S_t)

Random effect (R_t)

These being multiplicative, we can get

$$V_t = T_t \times C_t \times S_t \times R_t$$

Projections or extrapolations can be done on the basis of moving averages or exponential smoothing.

Work Study Method

The work study technique uses time and motion studies to analyse the work being done. This method is useful for repetitive jobs which have a high degree of manual content and where job methods do not change frequently.

Accuracy of Techniques

No method of forecasting can be entirely without error. Some changes are unique (such as new legislation or a decision to close down an establishment) and hence are more or less unpredictable as to timing. Such errors as are due to these unique changes are unavoidable. There are also errors that are partly avoidable since they stem from inaccurate information or inappropriate techniques. Even where errors are theoretically avoidable, it is unrealistic to expect more than a proportion of error to be actually avoidable.

However, a forecast, or any resulting objective, must be modified as soon as it seems that it no longer represents the most likely occurrence. Unfortunately, the people become emotionally attached to forecasts. We must remember, however, that errors have a cumulative effect over time.

Taking the above factors into consideration, a corporate approach to manpower planning is to be developed. In doing so certain **key considerations** such as the following emerge:

- a) What positions and individuals are to be included in the planning effort? A simple rule of thumb is to include all positions which are critical to corporate performance and profits and/or pose recruitment problems.
- b) What is the appropriate manpower planning horizon? Experience shows that it can extend upto 4 or 5 years. Beyond 5 years, technical manpower forecasts have doubtful value due to pervasive imponderables and unpredictables in the environment. Within the planning period, there should be a formal method of review and assessment at least once every year.
- c) With what business factors will manpower needs be related? For a company producing fertiliser, it could be tons of fertiliser, for an automobile unit, it could be the number of cars and trucks. For a retailer, it could be the rupee value of sales. To be useful, the predictor should meet at least two requirements: (a) it should be directly related to the essential nature of the business; (b) changes in the selected factor be proportional to changes in the manpower required.

Selecting a Proper Predictor

For instance, while relating manpower needs with rupee value of turnover, appropriate indexation for inflation is called for. Multi-product firms need to evolve appropriate conversion factors to have a common base. Alternatively, they can have separate forecasts for each of the products, particularly if the products differ not only in terms of numbers required, but also in the types of skills needed. Some firms find it necessary to select several factors, one for each of different segments of the work force. In a refinery, for instance, production workers may be related to one factor, the sales force to another, management to a third, and the professional work force to still a fourth.

Firms which build up complete sets of historical records on various related aspects can make quite accurate projections against those which lack adequate data base. Now firms rely on the existing norms in the industry and make adjustment for the unique

features of the firms *vis-a-vis* the other firms in the industry on such aspects as technologies, management culture, compensation, etc.

Simple arithmetical projections based on historical data may lead to disastrous consequences. While using historical data for projections due regard should be given to change in plans and programmes, technology, environment, etc. The staff specialists in manpower planning would do well to seek the assistance of experienced operating managers to interpret reasons for past changes or anticipating future changes.

Projections for Particular Groups of Employees

As already mentioned, total manpower needs of an organisation can be built up from projections made for specific segments of their work force. Different work groups relate differently to various predictors and thus have different productivity ratios. In each case the following process is followed: find the appropriate business factor, draw up the historical record of that factor in relation to manpower employed, compute the productivity ratios, determine the trend, make the necessary adjustments in the trend, past and future, and project to the target year.

Organisations may adopt a functional framework by viewing positions according to functional activities than by grouping them into separate organisational units. The purpose of grouping positions similar in content, regardless of their location in the organisational structure is to recognise that each of these different groups of jobs require different knowledge, skills and characteristics and are involved in different career ladders. Such knowledge about different groups in itself is useful. Experience shows that in any organisation 6 to 12 job or skill groups would meet the major activities in all functional areas.

Some firms develop the total projection for the work force at the operating level and work out the projections at various responsibility levels in each job/skill group by means of ratios. Firms may discover a stable relationship between the total number of workmen and foremen. Depending upon the number of levels in hierarchy—it usually varies from 5 to 15—and assumptions about span of control, nature of work, technology and historical data, projections are made.

Projecting Labour Costs

Manpower projections emphasise the number of employees. But firms are interested in the labour costs also. The share of labour costs to total costs range from about two per cent in process industries to around 60 per cent in the nationalised coal industry. The labour costs can be projected by examining the trends in labour productivity, proposed changes in work technology, union wage agreements, inflation, government rules, etc. Some companies have been able to maintain the labour cost component in total cost static over a period of say, five years, even though in the intervening period the average emoluments of the employees have gone up by one-third. Companies like ITC Ltd. and Premier Automobiles Ltd. could do this through productivity bargaining as part of wage negotiations whereby workers will not only get more than what they were earning before, but also turn out higher levels of performance. In such companies, it becomes possible to produce more output than before with the existing manpower.

Projecting the Sources of Supply

Projecting the number, type and level of employees tells only half the story in manpower planning. Every organisation will have two major sources of supply: internal and external. In unionised firms, upto a level, agreements determine the ratio of external and internal sources of supply.

Internal Sources: Proper manpower planning and information system enables the organisation to know the profile of the employees—age, sex, education, training, experience, job level, performance, and potential.

Manpower requirements arise out of growth or diversification or because of the movement of the employees on account of transfer, promotion, job rotation, voluntary retirement, resignation, retirement, dismissal, discharge or death. In either case, as and when vacancies arise, organisations can match the skill and level requirements with the profile of the employees and meet the requirements. While

some of the internal changes and external supply could be predicted such as growth opportunities, transfer and promotions, retirements, etc., others are not so easy to predict. But, as elsewhere, past experience and historical data may be of some help. The companies which have systematised personnel records and information systems and which have well established career and succession plans find it easier to project internal sources of supply relatively accurately.

External Sources: When the company grows rapidly, diversifies into newer areas of operations or when it is not able to find the people internally to fill the vacancies, it has to resort to outside recruitment. To the extent a firm is able to anticipate its outside recruitment needs and scans the possible sources of supply with a feel for the labour market conditions, its problems in recruiting the right number with right skills in the right time would become easier.

If both supply and demand projections are made in time or if there are any problems such as shortage of skills, appropriate steps can be taken to overcome them. For example, several companies started apprentice training programmes when they predicted a shortage for certain types of skills. When major manufacturing projects are planned to be located in hitherto backward areas, such problems are felt more acutely. For instance, there is the case of a paper mill in the eastern region not being able to reach even 10 per cent capacity utilisation, several years after it was commissioned, because of shortage of people with appropriate skills to run the paper mill.

Accuracy of Projections

The accuracy of the projections is based on the following factors:

- a) The predictability of the industry, i.e., whether the business conditions are generally stable or not.
- b) The degree of integration of manpower planning with other company planning efforts, and the amount of experience that the company has with all types of planning. If a company plans very far into the future, it may be sacrificing accuracy and flexibility.
- c) Historical data about manpower levels and about the selected business factors with which manpower projections are related. Even the experience of operating managers is not useful in making projections and estimates in the absence of good manpower records. The projections, at best, can be as good as the data base.
- d) The knowledge, experience and outlook of the operating managers. When manpower projections are made as part of the total planning process, even when the forecasts are not accurate, they at least succeed in providing warnings of possible problems.
- e) The framework for manpower utilisation for the forecast period.

4.7 DEVELOPING MANPOWER STRATEGY: KEY CONCERNS

In this section certain key concerns in developing manpower strategies are briefly considered.

Approach

While assessing future requirements, the estimates depend mostly upon the nature of manpower assumptions in the organisation. Corporate strategy can influence manpower strategy and vice versa. Here we may consider three approaches: the zero budgeting approach, the ideal and the realistic.

Zero budgeting, as the name implies, is an approach in which one forces unit/division managers to justify their total operation from zero. The objective is to encourage managers to seriously think about their current activities. Given the restrictions posed by law and unions, the practicability of this approach for ongoing organisations in manpower planning is doubtful.

It is only new units that can start thinking about manpower planning in terms of what might constitute an 'ideal' approach. Any decisions on sub-contracting, off-loading

some functions like maintenance production-technology, etc. may depend on the perceived notions of what constitutes an ideal for the organisation.

Organisations can proceed on a realistic approach using existing information. A company which operates on a three-year planning cycle may record manpower levels in subunits or divisions in such a way that it is easy to monitor and hold managers responsible (see Fig. II). Organisations which choose to supplement manpower plans with different business parameters and manpower ratios, (for example, gross value added per employee, capital employed per employee, gross value added per employee) have to be wary about the fact that the future may not follow the past and adjustments may have to be made for variations.

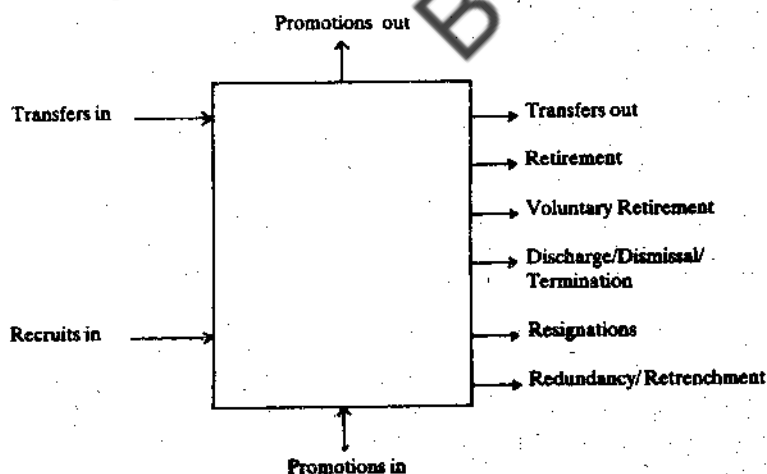
Figure II Monitoring Manpower Levels

Item	Current year	Forecast Year 1	Forecast Year 2
Stock as on 1 January			
Manpower increases			
• Business Activity			
• Capital Expenditure			
• Takeover/merger			
Manpower decreases			
• Business activity			
• Capital expenditure			
• Divestment			
• Productivity improvement			

Personnel Policies Affecting Manpower Supply

Manpower supply in an undertaking is affected by the personnel policies ranging from recruitment to retirement. As shown in Fig. III, manpower flows in and out of an organisation due to a variety of reasons. Policies affecting each of these aspects need to be reviewed regularly to assess their possible effects on manpower supplies to meet the gap between supply and demand.

Figure III Forces of Manpower Flow in an Organisation



Strategic Decisions Affecting Manpower Demand

Organisations operate in a changing environment. Therefore, they do not remain static. Manpower structures also do not remain static. Questions on the activities and roles of persons at different levels and studies on organisation and methods of work may provide useful insights and opportunities to revise manpower structures that change the estimates about manpower required.

Changes in production methods, union agreements on productivity, off-loading maintenance, sub-contracting, etc. are some of the strategic decisions that help organisations to significantly alter their manpower needs without affecting the volume of business.

Personnel Information Systems

Most organisations do not have adequate records and information on manpower. Several of those do not have proper retrieval systems. There are understandable difficulties in resolving the issues and complexities in design, definition and creation of computerised personnel information systems for effective manpower planning and utilisation. Even the current technologies and knowledge in this respect is not put to use optimally. This is a strategic disadvantage.

Activity B

Visit an organisation with which you are familiar and study whether and how they go about manpower planning. Prepare a brief report. Examine whether any of their personnel problems can be traced to shortcomings in manpower planning.

4.8 SUMMARY

Manpower planning affects organisation strategies and vice versa. We have reviewed the concept of manpower planning and studied the objectives and reasons for current interest in the subject. There are three stages in manpower planning process. We examined the techniques and special problems of manpower supply and demand at organisation level. Finally, we have considered certain key concerns in developing manpower strategies.

4.9 SELF-ASSESSMENT TEST

- 1 What is the purpose of manpower planning? Explain the process.
- 2 Examine the reasons for the current interest in manpower planning.
- 3 Briefly review the forecasting techniques.

4.10 KEY WORDS

Basic Factor: Means a variable to which manpower demand is related.

Estimate: Quantity assigned by approximate judgement.

Forecast: Predict; conjectural estimate of something in future.

Manpower Planning: It is a strategy for the acquisition, utilisation, improvement and preservation of an enterprise's human resources.

Project: Extrapolate results to future time.

4.11 FURTHER READINGS

Edwards, John *et. al.*, 1983 *Manpower Planning*, John Wiley: New York.

Bennison, Malcolm and Jonathan Casson, 1983. *The Manpower Planning Handbook*, McGraw-Hill: London.

Wilbert and Schnider, 1985. *The Dartnell Personnel Administration Handbook*, Dartnell: Chicago.

BLOCK 2 EMPLOYEE SELECTION, DEVELOPMENT AND GROWTH

This Block has three units dealing with employee recruitment, selection, induction, training, development and career planning.

Unit 5 explains the process of recruitment, selection and induction. Beginning with job specifications, various recruitment sources are identified. Various methods of recruitment, initial screening, application scrutiny and psychological tests are described. Then, different types of interviews, and the methodology of conducting them is explained. Finally, the Unit explains the process and methodology of inducing the employees in the organisation.

Unit 6 then takes on from Unit 5 and explains the process, procedure and methodology of conducting training and development programmes for employees. Philosophy, content, advantages and disadvantages of various training and development programmes are examined.

Unit 7 deals with various aspects of career planning, what it is, and how it is different from manpower and succession planning. Finally, the process, advantages and disadvantages of career planning are examined.

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UNIT 5 RECRUITMENT, SELECTION AND INDUCTION

Objectives

After going through this Unit, you should be able to:

- explain the need for spelling out job specification as the starting point for the process of selection;
- name various sources which can be used for attracting the desired types of manpower;
- state, explain and evaluate various methods of recruitment;
- explain the need for and the process of initial screening;
- describe the process of application scrutiny;
- explain the need for, types of, and the uses of various psychological tests in the evaluation of candidates;
- explain the purpose and types of interviews, their limitations, and the need for care in using them; and
- explain the purpose of induction and how it is carried out.

Structure

- 5.1 Introduction
- 5.2 Some Definitions
- 5.3 The Process of Recruitment
- 5.4 Selection
- 5.5 Selection Tests
- 5.6 Interview
- 5.7 Physical Examination
- 5.8 Reference Checks
- 5.9 Final Decision
- 5.10 Placement
- 5.11 Induction
- 5.12 Conclusion
- 5.13 Self-assessment Test
- 5.14 Further Readings

5.1 INTRODUCTION

You might recall that under the heading "Prerequisites for fulfilment of the Objectives of Personnel Management" in Unit 3 on 'Functions and Operations of a Personnel Office', it was emphasised that people in the organisation who are not selected on merit but on other considerations would be misfits thus creating all sorts of problems for the organisation and the other employees.

You might have wondered what is meant by selecting people on their merit and how this is done. This will be the subject matter of this unit.

This unit will enable you to:

- know the various stages of selecting people till they are assigned to particular jobs;
- understand the importance and needs of each of these stages;
- comprehend the work involved at each of these stages;
- realise that care and caution are required for completing each stage successfully; and
- note the pitfalls in these stages so that wrong persons do not get selected and placed.

5.2 SOME DEFINITIONS

Recruitment

Recruitment is the process of identifying the prospective employees, stimulating and encouraging them to apply for a particular job or jobs in an organisation. It is a positive action as it involves inviting people to apply. The purpose is to have an inventory of eligible persons from amongst whom proper selection of the most suitable person can be made.

Selection

Selection is the process of examining the applicants with regard to their suitability for the given job or jobs, and choosing the best from the suitable candidates and rejecting the others. Thus, you will notice that this process is negative in nature in the sense that rejection of candidates is involved.

Placement

Placement is the determination of the job for which a selected candidate is best suited and assigning that job to him. The ideal situation is 'the right man for the right job'. A proper placement of a worker reduces employee turnover, absenteeism, accident rates, etc., and improves morale, motivation, work etc.

Induction

Induction is introducing an employee to the job and to the organisation. The primary purpose of induction is to 'sell' the company to the new employee so that he may feel proud of his association with the company. This is called 'orientation' or 'indoctrination'.

Their Inter-relationship

The above are the four steps taken in the order given before a person starts his training for the job to which he is assigned. First he is recruited, that is, his attention is drawn to the existence of a possible opening for him and he is invited to apply for it. In the next stage of selection all the applicants are screened to find their suitability for the job and the best one is selected. The third step of placement follows selection and a particular job is assigned to the selected person. After that he is introduced to his job and to his organisation so that he may understand the environment in which he has to work.

Having defined these four processes, we shall describe them in some detail in the following paragraphs.

5.3 THE PROCESS OF RECRUITMENT

Preparation for Recruitment

Before you think of inviting people to apply for a job you have to decide what types of persons are to be invited and what their characteristics should be. This calls for fixing the 'job specifications' which may also be called 'man specifications'.

Job specifications are based on job description which is dependent upon the nature and requirements of a job. Thus, job specification will be different for each job.

We shall explain below the various elements of job specification.

Physical Specifications: For certain jobs some special physical features may be required. For example, for assembly of a TV set or some other electronic equipment good vision is required, for a typing job you need finger dexterity, for a heavy job you need a strong, heavy and thick-set body. The particular physical abilities and skills necessary for a given job have to be specified. These may refer to height, weight, vision, finger dexterity, voice, poise, hand and foot coordination, motor coordination, colour discrimination, age-range, etc.

Mental Specifications: These include intelligence, memory, judgement, ability to plan, ability to estimate, to read, to write, to think and concentrate, scientific faculties, arithmetical abilities, etc. Different jobs require different degrees of such abilities and the more important ones should be specified.

Emotional and Social Specifications: These include characteristics which will affect his working with others, like personal appearance, manners, emotional stability, aggressiveness or submissiveness, extroversion or introversion, leadership, cooperativeness, initiative and drive, skill in dealing with others, social adaptability, etc.

Behavioural Specifications: Certain management personnel at higher levels of management are expected to behave in a particular manner. These are not formally listed but have to be kept in mind during the process of recruitment, selection and placement.

Activity A

Please describe below your job as carefully and precisely as you can.

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Please give below the ten most important elements of your job specification. Also evaluate yourself in respect of each element and write against it whether you meet it (a) fully, (b) substantially, (c) to some extent, or (d) not at all.

Element	Extent of meeting (a), (b), (c), (d)
1	
2	
3	
4	
5	
6	
7	
8	
9	
10	

Sources of Manpower

There are two categories of sources of supply of manpower—Internal and External.

Internal Sources: These include personnel already on the pay-roll of the organisation as also those who were once on the pay-roll of the company but who plan to return, or whom the company would like to rehire. These include those who quit voluntarily or those on production lay-offs.

External Sources: These sources lie outside the organisation, like the new entrants to the labour force without experience. These include college students, the unemployed with a wider range of skills and abilities, the retired experienced persons, and others not in the labour force, like married women.

A policy of preferring people from within is advantageous as it improves the morale

of the employees and promotes loyalty among them towards the organisation. This also helps employers as they are in a better position to evaluate those already with them and as these people require no induction.

The policy of preferring internal candidates, however, suffers from some disadvantages. It may lead to inbreeding, discouraging new blood from entering an organisation. If promotion is based on seniority, the real capable hands may be left out.

Likewise, there are good and bad points about external sources. These sources provide a wide market and the best selection considering skill, training and education. It also helps to bring new ideas into the organisation. Moreover, this source never 'dries up'. In respect of people selected under this system, however, one has to take chances with the selected persons regarding their loyalty and desire to continue. The organisation has to make larger investments in their training and induction.

You will realise now that dependence on just one of the sources is not in the interest of an organisation. It must depend on both in a ratio to be fixed considering various factors.

Some of these factors are described below.

1 Effect of the policy on the attitude and actions of all employees

Employees, no doubt, feel more secure and identify their own long-term interest with that of the organisation when they can anticipate first charge at job opportunities. The general application of the 'promotion from within' policy may encourage mediocre performance. The point to be considered here by the organisation is, how important is the loyalty of the employees to it, balancing the risk of mediocre performance.

2 The level of specialisation required of employees

The principal source in many organisations may be the ranks of the present employees who have received specialised training.

3 The degree of emphasis on participation by employees at all levels

New employees from outside, with no experience in the firm, may not know enough about its service or product or processes to participate effectively, for some time at least.

4 The need for and availability of originality and initiative within the organisation

If the organisation feels that it is training its people for these qualities it may prefer its own people; if not, new people with different ideas may be taken from outside.

5 Acceptance of seniority principle

The policy or promotion from within will succeed only if management and employees accept the seniority principle with or without suitable modifications for promotion. If it is not accepted, selection may better be done on an open basis.

Methods of Recruitment

All methods of recruitment can be put into three categories: (a) Direct Methods, (b) Indirect Methods, and (c) Third-Party Methods.

a) Direct Methods include sending recruiters to educational and professional institutions, employee contacts with public, manned exhibits and waiting lists.

Schools and Colleges: For clerical, labour and apprenticeship help, high schools can be extensively used. For technical, managerial and professional jobs, colleges, university departments and specialised institutes, like the IITs and IIMs, are used. These institutions usually have a placement officer or a teacher-in-charge of placement, who normally provides help in attracting employers arranging interviews, furnishing space and other facilities and providing student resumes. The companies maintain a list of such institutions, keep in touch with them, send their brochures indicating job openings, future prospects, etc. On the basis of these students who want to be considered for the given job(s) are referred to the company recruiter.

Employees' Contact with the Public: The employees of the organisation are told

about the existence of particular vacancies and they bring this to the notice of their relatives, friends and acquaintances.

Manned Exhibits: The organisations send recruiters to conventions and seminars, setting up exhibits at fairs, and using mobile offices to go to the desired centres.

Waiting Lists: Many firms lean heavily on their own application files. These records list individuals who have indicated their interest in jobs, either after visiting the organisation's employment office or making enquiries by mail or phone. Such records prove a very useful source if they are kept up-to-date.

b) Indirect Methods cover advertising in newspapers, on the radio, in trade and professional journals, technical journals and brochures.

When qualified and experienced persons are not available through other sources, advertising in newspapers and professional and technical journals is made. Whereas all types of advertisements can be made in newspapers and magazines, only particular types of posts should be advertised in the professional and technical journals; for example, only engineering jobs should be inserted in journals of engineering.

A well thought-out and planned advertisement for an appointment reduces the possibility of unqualified people applying. If the advertisement is clear and to the point, candidates can assess their abilities and suitability for the position and only those who possess the requisite qualifications will apply.

c) Third-Party Methods: Various agencies are used for recruitment under these methods. These include commercial and private employment agencies, state agencies, placement offices of schools, colleges and professional associations, recruiting firms, management consulting firms, indoctrination seminars for college professors, friends and relatives.

Private Employment Agencies specialise in specific occupation like general office help, salesmen, technical workers, accountants, computer staff, engineers and executives, etc. These agencies bring together the employers and suitable persons available for a job. Because of their specialisation, they can interpret the needs of their clients and seek out particular types of persons.

State or Public Employment Agencies, also known as Employment or Labour Exchanges, are the main agencies for public employment. They also provide a wide range of services, like counselling, assistance in getting jobs, information about the labour market, labour and wage rates, etc.

Executive Search Agencies maintain complete information records about employed executives and recommend persons of high calibre for managerial, marketing and production engineers' posts. These agencies are looked upon as 'head hunters', 'raiders', and 'pirates'.

Indoctrination Seminars for College Professors: These are arranged to discuss the problems of companies to which professors are invited. Visits and banquets are arranged so that professors may be favourably impressed and later speak well of the company and help in getting required personnel.

Friends and Relatives of Present Employees constitute a good source from which employees may be drawn. This, however, is likely to encourage nepotism, i.e. persons of one's own community or caste may only be employed. This may create problems for the organisation.

Trade Unions are often called on by the employers to supply whatever additional employees may be needed. Unions may be asked for recommendations largely as a matter of courtesy and an evidence of good will and cooperation.

Professional Societies may provide leads and clues in providing promising candidates for engineering, technical and management positions. Some of these maintain mail order placement services.

Temporary Help Agencies employ their own labour force, both full-time and part-time and make them available to their client organisations for temporary needs.

Casual Labour Source is one which presents itself daily at the factory gate or

employment office. Most industrial units rely to some extent on this source. This source, you will realise, is the most uncertain of all sources.

Deputation: Persons possessing certain abilities useful to another organisation are sometimes deputed to it for a specified duration. Ready expertise is available but, as you can guess, such employees do not easily become part of the organisation.

Activity B

- a) Recall your first appointment to the present organisation and write below which of the above mentioned sources of recruitment was used by the organisation.

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- b) Think of the various sources tapped by your organisation in getting employees for your Section/Department and write below in order of importance the first five.

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3

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5.4 SELECTION

Selection, as you have seen earlier, is the process of securing relevant information about an applicant to evaluate his qualifications, experience and other qualities with a view to matching these with the requirements of a job. It is essentially a process of picking out the man or men best suited for the organisation's requirements.

The Selection Process

You would recall that selection process involves rejection of unsuitable or less suitable applicants. This may be done at any of the successive hurdles which an applicant must cross. These hurdles act as screens designed to eliminate an unqualified applicant at any point in the process. This technique is known as the 'successive hurdles technique'. Figure 1 gives these hurdles.

Yoder calls these hurdles 'go, no-go' gauges. Those who qualify a hurdle go to the next one; those who do not qualify are dropped out. Not all selection processes, however, include these hurdles. The complexity of the process usually increases with the level and responsibility of the position to be filled. Moreover, these hurdles need not necessarily be placed in the same order. Their arrangement may differ from organisation to organisation.

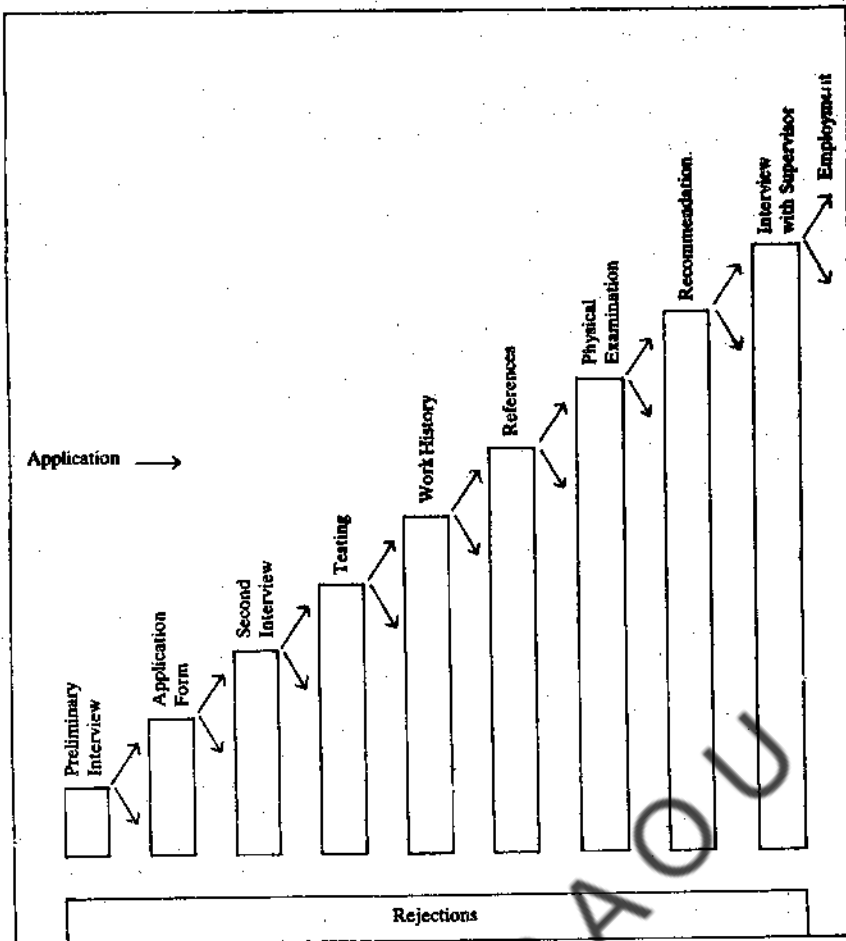


Figure 1: Successive Hurdles in the Selection Process

Initial Screening or Preliminary Interview

This is a sorting process in which prospective applicants are given the necessary information about the nature of the job and also, necessary information is elicited from the candidates about their education, experience, skill, salary expected, etc. If the candidate is found to be suitable, he is selected for further process and, if not, he is eliminated. This is a crude screening and can be done across the counter in the organisation's employment offices. This is done by a junior executive in the personnel department. Due care should be taken so that suitable candidates are not turned down in a hurry. Since this provides personal contact for an individual with the company, the interviewer should be courteous, kind, receptive and informal.

When a candidate is found suitable, an application form is given to him to fill in and submit.

Application Scrutiny

You might have seen that sometimes applications are asked on a plain sheet. This is done where no application forms are designed. The applicant is asked to give details about age, marital status, educational qualifications, work experience and references. Different types of application forms may be used by the same organisation for different types of employees, e.g., one for managers, the other for supervisors and a third for other employees. Some forms are simple, general and easily answerable, while others may require elaborate, complex and detailed information. Reference to nationality, race, caste, religion and place of birth has been regarded as evidence of discriminatory attitudes and should be avoided. An application form should be designed to serve as a highly effective preliminary

screening device, particularly, when applications are received in direct response to an advertisement and without any preliminary interview.

The application can be used in two ways: (i) to find out on the basis of information contained therein as to the chances of success of the candidate in the job for which he is applying, and (ii) to provide a starting point for the interview.

It is often possible to reject candidates on the basis of scrutiny of the application as they are found to be lacking in educational standards, experience or some other relevant eligibility and traits.

5.5 SELECTION TESTS

A test is a sample of an aspect of an individual's behaviour, performance or attitude. It can also be a systematic procedure for comparing the behaviour of two or more persons.

Purpose of Tests: The basic assumption underlying the use of tests in personnel selection is that individuals are different in their job-related abilities and skills and that these skills can be adequately and accurately measured.

Tests seek to eliminate the possibility of prejudice on the part of the interviewer or supervisor. Potential ability only will govern selection decisions.

The other major advantage is that the tests may uncover qualifications and talents that would not be detected by interviews or by listing of education and job experience.

Types of Tests: The various tests used in selection can be put in to four categories: (a) Achievement or Intelligence Tests, (b) Aptitude or Potential Ability Tests, (c) Personality Tests, and (d) Interest Tests.

These tests and what they measure are described below.

a) Achievement or Intelligence Tests

These are also called 'proficiency tests'. These measure the skill or knowledge which is acquired as a result of a training programme and on the job experience. These measure what the applicant can do. These are of two types:

Test for Measuring job Knowledge: These are known as 'Trade Tests'. These are administered to determine knowledge of typing, shorthand and in operating calculators, adding machines, dictating and transcribing machines or simple mechanical equipment. These are primarily oral tests consisting of a series of questions which are believed to be satisfactorily answered only by those who know and thoroughly understand the trade or occupation. Oral tests may be supplemented by written, picture or performance types.

Work Sample Tests: These measure the proficiency with which equipment can be handled by the candidate. This is done by giving him a piece of work to judge how efficiently he does it. For example, a typing test would provide the material to be typed and note the time taken and mistakes committed.

b) Aptitude or Potential Ability Tests

These tests measure the latent ability of a candidate to learn a new job or skill. Through these tests you can detect peculiarity or defects in a person's sensory or intellectual capacity. These focus attention on particular types of talent such as learning, reasoning and mechanical or musical aptitude. 'Instruments' used are variously described as tests of 'intelligence', 'mental ability', 'mental alertness', or simply as 'personnel tests'. These are of three types:

Mental Tests: These measure the overall intellectual ability or the intelligence quotient (I.Q.) of a person and enable us to know whether he has the mental capacity to deal with new problems. These determine an employee's fluency in language, memory, induction, reasoning, speed of perception, and spatial visualisation.

Mechanical Aptitude Tests: These measure the capacity of a person to learn a

particular type of mechanical work. These are useful when apprentices, machinists, mechanics, maintenance workers, and mechanical technicians are to be selected.

Psychomotor or Skill Tests: These measure a person's ability to do a specific job. These are administered to determine mental dexterity or motor ability and similar attributes involving muscular movement, control and coordination. These are primarily used in the selection of workers who have to perform semi-skilled and repetitive jobs, like assembly work, packing, testing, inspection and so on.

c) Personality Tests

These discover clues to an individual's value system, his emotional reactions, maturity and his characteristic mood. The tests help in assessing a person's motivation, his ability to adjust himself to the stresses of everyday life and his capacity for inter-personal relations and for projecting an impressive image of himself. They are expressed in terms of the relative significance of such traits of a person as self-confidence, ambition, tact, emotional control, optimism, decisiveness, sociability, conformity, objectivity, patience, fear, distrust, initiative, judgement, dominance, impulsiveness, sympathy, integrity, and stability. These tests are given to predict potential performance and success for supervisory or managerial jobs.

The personality tests are basically of three types:

Objective Tests: These measure neurotic tendencies, self-sufficiency, dominance, submission and self-confidence.

Projective Tests: In these tests, a candidate is asked to project his own interpretation onto certain standard stimuli. The way in which he responds to these stimuli depends on his own values, motives and personality.

Situation Tests: These measure an applicant's reaction when he is placed in a peculiar situation, his ability to undergo stress and his demonstration of ingenuity under pressure. These tests usually relate to a leaderless group situation, in which some problems are posed to a group and its members are asked to reach some conclusions without the help of a leader.

d) Interest Tests

These tests are designed to discover a person's areas of interest and to identify the kind of work that will satisfy him. The interest tests are used for vocational guidance, and are assessed in the form of answers to a well-prepared questionnaire.

Limitations of Selection Tests: From the basic description of tests described above, one should not conclude that a hundred per cent prediction of an individual's on-the-job success can be made through these tests. These tests, at best, reveal that candidates who have scored above the predetermined cut-off points are likely to be more successful than those who have scored below the cut-off point.

Tests are useful when the number of applicants is large. Moreover, tests will serve no useful purpose if they are not properly constructed or selected or administered.

Precautions in using Selection Tests: Test results can help in selecting the best candidates if the following precautions are taken:

- i) Norms should be developed as a source of reference on all tests used in selection and on a representative sample of people on a given job in the same organisation. This is necessary even though 'standard' tests are available now under each of the above categories. Norms developed elsewhere should not be blindly used because companies differ in their requirements, culture, organisation structure and philosophy.
- ii) Some 'Warm up' should be provided to candidates either by giving samples of test, and/or answering queries before the test begins.
- iii) Tests should first be validated for a given organisation and then administered for selection of personnel to the organisation.
- iv) Each test used should be assigned a weightage in the selection.
- v) Test scoring, administration and interpretation should be done by persons having technical competence and training in testing.

Activity C

a) Was any psychological test administered to you for selection or promotion?

Yes ☐ No ☐

b) If yes, can you recall at what stage of your career was it given and what were you required to do?

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c) Can you fit it into one of the above mentioned categories?

Stage	Required to do	Category of Test
First Selection as		
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Later promotion to		
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.....		

5.6 INTERVIEW

We shall now discuss the post application form interview and not the preliminary interview.

Personal interview is the most universally used tool in any selection process.

Meaning and Purpose: An interview is a conversation with a purpose between one person on one side and another person or persons on the other. An employment interview should serve three purposes, viz., (i) obtaining information, (ii) giving information, and (iii) motivation. It should provide an appraisal of personality by obtaining relevant information about the prospective employee's background, training work history, education and interests. The candidate should be given information about the company, the specific job and the personnel policies. It should also help in establishing a friendly relationship between the employer and the applicant and motivate the satisfactory applicant to want to work for the company or organisation.

In practice, however, it may turn out to be a one-sided affair. It helps only in obtaining information about the candidate. The other two purposes are generally not served.

Types of Interviews:

Informal Interview: This may take place anywhere. The employer or a manager in the personnel department, may ask a few questions, like name, place of birth, previous experience, etc. It is not planned and is used widely when the labour market is tight and you need workers very badly. A friend or a relative of the employer may take a candidate to the house of the employer or manager where this type of interview may be conducted.

Formal Interview: This is held in a more formal atmosphere in the employment office by the employment officer with the help of well-structured questions. The time and place of the interview are stipulated by the employment office.

Planned Interview: This is a formal interview carefully planned. The interviewer has a plan of action worked out in relation to time to be devoted to each candidate, type of information to be sought, information to be given, the modality of interview and so on. He may use the plan with some amount of flexibility.

Patterned Interview: This is also a planned interview but planned to a higher degree

of accuracy, precision and exactitude. A list of questions and areas is carefully prepared. The interviewer goes down the list of questions, asking them one after another.

Non-directive Interview: This is designed to let the interviewee speak his mind freely. The interviewer is a careful and patient listener, prodding whenever the candidate is silent. The idea is to give the candidate complete freedom to 'sell' himself without encumbrances of the interviewer's questions.

Depth Interview: This is designed to intensively examine the candidate's background and thinking and to go into considerable detail on a particular subject of special interest to the candidate. The theory behind it is that if the candidate is found good in his area of special interest, the chances are high that if given a job he would take serious interest in it.

Stress Interview: This is designed to test the candidate and his conduct and behaviour by putting him under conditions of stress and strain. This is very useful to test the behaviour of individuals under disagreeable and trying situations.

Group Interview: This is designed to see how the candidates react to and against each other. All the candidates may be brought together in the office and they may be interviewed. The candidates may, alternatively, be given a topic for discussion and be observed as to who will lead the discussion, how they will participate in the discussion, how each will make his presentation and how they will react to each other's views and presentation.

Panel Interview: This is done by members of the interview board or a selection committee. This is done usually for supervisory and managerial positions. It pools the collective judgement and wisdom of members of the panel. The candidate may be asked to meet the panel individually for a fairly lengthy interview.

Interview Rating: Important aspects of personality can be categorised under the following seven main headings:

- Physical Make-up: Health, physique, age, appearance, bearing, speech.
- Attainments: Education, occupational training and experience.
- Intelligence: Basic and 'effective'.
- Special Aptitudes: Written and oral fluency of expression, numeracy, organisational ability, administrative skill.
- Interests: Intellectual, practical, physically active, social, artistic
- Disposition: Self-reliance, nature, motivation, acceptability.
- Circumstances: Domestic, social background and experience, future prospects.

This is called 'The Seven Point Plan'. The importance of each of these points will vary from organisation to organisation and from job to job. Hence, these should be assigned weightage according to their degree of importance for the job.

On the basis of information gathered through an interview, each candidate should be rated in respect of each point given above as (i) outstanding, (ii) good, (iii) above average, (iv) below average or (v) unsatisfactory. Marks should be allotted to each of these, and the score for each point is arrived at by multiplying it by weights and the total of all these will determine the final position of a candidate at the interview.

Limitations of Interviews: Interviews have their own limitations in matters of selection. Some of these are mentioned below:

- Subjective judgement of the interviewer may be based on his prejudices, likes, dislikes, biases, etc.
- One prominent characteristic of a candidate may be allowed to dominate appraisal of the entire personality.
- The interviewer's experience may have created a close association between some particular trait and a distinctive type of personality.
- Some managers believe that they are good at character analysis based on some pseudo-scientific methods and are guided by their own abilities at it.

Qualities of 'Good' Interviewers: A good interviewer should have the following qualities:

- Knowledge of the job or other things with which interviews are concerned.
- Emotional maturity and a stable personality.
- Sensitivity to the interviewee's feelings and a sympathetic attitude.
- Extrovert behaviour and considerable physical and mental stamina.

Guidelines for Improving Interviews: Not all interviews are effective. Their effectiveness can be improved if the following points are kept in mind by an interviewer:

- An interview should have a definite time schedule with ample time for interview. It should not be hurried.
- The impersonal approach should be avoided.
- Interview should have the necessary element of privacy.
- The interviewer should listen carefully to what the applicant says and the information collected should be carefully recorded either while the interview is going on or immediately thereafter.
- Attention should be paid not just to the words spoken, but also to the facial expressions and mannerisms of the interviewee.
- The interview should end when sufficient information has been gathered.
- The interviewee should be told where he stands—whether he will be contacted later, whether he is to visit another person, or it appears that the organisation will not be able to use his abilities.

Pseudo-Scientific Methods of Selection: In the past, and to some extent even now, stereotyped impressions of personality and characteristics were used as a basis of selection. These impressions were gathered through pseudo-scientific methods, like phrenology, physiognomy and graphology.

We shall briefly describe below these methods for your background knowledge only:

Phrenology: Here it is believed that the strength of each faculty is indicated by prominent bumps on certain parts of the skull.

Physiognomy: Here it is believed that there is a definite correlation between facial features and psychological functions and behaviour, for example, thin lips indicate determination, broad jaws signify tenacity and so on.

Graphology: Here it is believed that there is a close relationship between handwriting and personality.

Activity D

Please find out from your Personal Department which of the above mentioned types of interviews they use for the purpose of selection. What do they aim to judge through each of these interviews and for selection of what level of employees are these used? Write below the information you collect.

Types of interviews	Points to be judged	Level of employees
1		
2		
3		
4		
5		

5.7 PHYSICAL EXAMINATION

Applications who get over one or more of the preliminary hurdles are sent for a physical examination either to the organisation's physician or to a medical officer approved for the purpose.

Purposes: A physical examination serves the following purposes:

- i) It gives an indication regarding fitness of a candidate for the job concerned.
- ii) It discovers existing disabilities and obtains a record thereof, which may be helpful later in deciding the company's responsibility in the event of a workman's compensation claim.
- iii) It helps in preventing employment of those suffering from some type of contagious diseases.
- iv) It helps in placing those who are otherwise employable but whose physical handicaps may necessitate assignment only to specified jobs.

Contents of Physical Examination: Physical examination covers the following:

- The applicant's medical history.
- His physical measurements—height, weight, etc.
- General examination—skin, musculature and joints.
- Special senses—visual and auditory activity.
- Clinical examination—eyes, ears, nose, throat and teeth.
- Examination of chest and lungs.
- Check-up of blood pressure and heart.
- Pathological tests of urine, blood etc.
- X-ray examination of chest and other parts of the body.
- Neuro-psychiatric examination, particularly when medical history or a physician's observations indicate an adjustment problem.

You would realise that the importance of these characteristics varies from job to job and, therefore, different weightages have to be given to each for an overall evaluation.

5.8 REFERENCE CHECKS

The applicant is asked to mention in his application the names and addresses of, usually, three such persons who know him well. These may be his previous employers, friends, or professional colleagues. They are approached by mail or telephone and requested to furnish their frank opinion, without incurring any liability, about the candidate either on specified points or in general. They are assured that all information supplied would be kept confidential. Yet, often either no response is received or it is generally a favourable response.

5.9 FINAL DECISION

Applicants who cross all the hurdles are finally considered. If there are more persons than the number required for a job the best ones, i.e., those with the highest scores are finally selected.

5.10 PLACEMENT

Sometimes a particular person is selected for a given job. Often more than one person may be selected for the jobs of similar nature. In the second case, individual employees have to be put under individual supervisors with the approval of the latter. In the first case also his approval is also necessary but it should be done early in the selection process.

A proper placement reduces employee turnover, absenteeism and accident rates and improves morale.

5.11 INDUCTION, ORIENTATION OR INDOCTRINATION

This is the last activity in relation to a newly employed person before he is trained for his job.

Meaning

As explained earlier, it is introduction of an employee to the job and the organisation. The primary purpose is to 'sell' the company to the new employee so that he may feel proud of his association with the company.

Purpose and Need

An employee has to work with fellow employees and his supervisor. For this he must know them, the way they work and also the policies and practices of the organisation so that he may integrate himself with the enterprise. Any neglect in the area of induction and orientation may lead to high labour turnover, confusion, wasted time and expenditure.

Induction Programme

A good induction programme should cover the following:

- The company, its history and products, process of production and major operations involved in his job.
- The significance of the job with all necessary information about it including job training and job hazards.
- Structure of the organisation and the functions of various departments.
- Employee's own department and job, and how he fits into the organisation.
- Personnel policy and sources of information.
- Company policies, practices, objectives and regulations.
- Terms and conditions of service, amenities and welfare facilities.
- Rules and regulations governing hours of work and over-time, safety and accident prevention, holidays and vacations, methods of reporting, tardiness and absenteeism.
- Grievances procedure and discipline handling.
- Social benefits and recreation services.
- Opportunities, promotions, transfer, suggestion schemes and job satisfaction.

An induction programme consists primarily of *three steps*:

General orientation by the staff: It gives necessary general information about the history and the operations of the firm. The purpose is to help an employee to build up some pride and interest in the organisation.

Specific orientation by the job supervisor: The employee is shown the department and his place of work, the location of facilities and is told about the organisation's specific practices and customs. The purpose is to enable the employee to adjust with his work and environment.

Follow-up orientation by either the personnel department or the supervisor: This is conducted within one week to six months of the initial induction and by a foreman or a specialist.

The purpose is to find out whether the employee is reasonably well satisfied with him. Through personal talks, guidance and counselling efforts are made to remove the difficulties experienced by the newcomer.

5.12 CONCLUSION

This unit has helped you to follow the process of selection in an organisation right

from the conception of an idea that a suitable person is to be put on a given job to the point of ultimately selecting the most suitable person for it, putting him at ease and making him feel at home with his fellow employees, his supervisor and the organisation as a whole. It has helped you to understand the various activities involved in the process and the order in which these are carried out. It has given you insight into the various alternatives and methods of various activities and under what circumstances each is advisable. It has also helped you to realise the various precautions to be taken so that your efforts under each activity bring desired results.

5.13 SELF-ASSESSMENT TEST

Take each of the objectives stated at the beginning of the Unit and regard it as a question. Working from memory, write not more than half a page on each so that you may assess whether you can recall the main points contained in the session.

5.14 FURTHER READINGS

- Fear, Richard A. 1984. *The Evaluation Interview*, McGraw-Hill: New York.
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- Pigors P. and Charles A. Myers. 1981. *Personnel Administration—A Viewpoint and a Method*, McGraw-Hill: London.
- Yoder, Dale and Paul D. Staudohar. 1982. *Personnel Management and Industrial Relations*, Prentice-Hall: Englewood-Cliffs.

BRAOU

UNIT 6 STAFF TRAINING AND DEVELOPMENT

Objectives

After going through this Unit, you should be able to:

- explain what 'training' and 'development' are and how these are different from each other;
- explain need for training employees, both new and old;
- explain various methods of determining needs for training;
- describe various objectives of training;
- explain principles of training programme and the pitfalls to be avoided;
- state and explain various training programmes;
- mention the parties that are responsible for training and in what respects;
- explain why it is necessary for an organisation to have a development programme for its managers;
- explain various concepts of management development;
- state various objectives of management development at various levels;
- explain organisational climate that is conducive to management development;
- state and explain the various techniques of management development;
- explain what retraining means and when and for whom it is needed; and
- explain need for and the techniques for evaluation of training programmes.

Structure

- 6.1 Introduction
- 6.2 Defining Training and Development
- 6.3 Training
- 6.4 Management Development
- 6.5 Retraining
- 6.6 Evaluation of Training Programmes
- 6.7 Conclusion
- 6.8 Self-assessment Test
- 6.9 Further Readings

6.1 INTRODUCTION

In Unit 5, you have seen that under 'induction', a newly employed person is introduced to his fellow workers, his supervisors, the work of his department, its relations to other departments and its place in the whole organisation to the organisation's objectives, philosophy, practices and so on. He or she has then to learn how the work assigned to him or her is to be done most efficiently and effectively. This is through a well thought-out and planned training programme. Training is required at every stage and when a person is moved from one assignment to another of a different nature. Some training programmes are called 'development' programmes.

Training and Development Programmes will be the subject matter of this unit.

6.2 DEFINING TRAINING AND DEVELOPMENT

Training and development programmes are necessary in any organisation for improving the quality of work of the employees at all levels, particularly in a world of fast changing technology, changing values, and environment.

The purpose of both is similar. The main difference between the two is in respect to

the levels of employees for whom these are meant, and the contents and techniques employed.

Training

Training is a short-term process utilising a systematic and organised procedure by which non-managerial personnel acquire technical knowledge and skills for a definite purpose. It refers to instructions in technical and mechanical operations, like operation of some machine. It is designed primarily for non-managers, it is for a short duration, and it is for a specific job-related purpose.

Development

Development is a long-term educational process utilising a systematic and organised procedure by which managerial personnel get conceptual and theoretical knowledge. In other words it refers not to technical knowledge or skills in operation but to philosophical and theoretical educational concepts. It involves broader education and its purpose is long-term development.

Activity A

Recall various programmes attended by you at different stages of your career and mention in respect of each whether it was a training programme or a development programme.

Stage of Career	Programme Attended	Training or Development
1		
2		
3		
4		
5		

Both training and development programmes are necessary for any organisation. But not all organisations show awareness of the need for development (though almost all are aware of the need for training). This is perhaps due to the fact that the fruits of training programmes are more apparent and can be obtained more quickly.

6.3 TRAINING

Need for and Benefits of Training

You have seen earlier that training is necessary for improving the quality of work of employees. There are some other reasons also for which this training becomes necessary. Explained below are various factors, giving rise to the need for training:

- Employment of inexperienced and new labour requires detailed instructions for effective performance on the job.
- People have not only to work, but work effectively with the minimum of supervision, minimum of cost, waste, and spoilage, and to produce quality goods and services.
- Increasing use of fast changing techniques in production and other operations requires training into newer methods for the operatives.
- Old employees need refresher training to enable them to keep abreast of changing techniques and the use of sophisticated tools and equipment.
- Training is necessary when a person has to move from one job to another because of transfer, promotion or demotion.

A well-planned and well-executed training programme should result in:

- reduction in waste and spoilage;
- improvement in methods of work;

- reduction in learning time;
- reduction in supervisory burden;
- reduction in machine breakage and maintenance cost;
- reduction in accident rate;
- improvement in quality of products;
- improvement in production rate;
- improvement of morale and reduction in grievances;
- improvement of efficiency and productivity;
- reduction in manpower obsolescence;
- enabling the organisation to provide increased financial incentives, opportunity for internal promotion and raising of pay rates;
- wider awareness among participants, enlarged skill; and
- personal growth.

Methods of Determining Training Needs

Put in a simplistic manner, these would mean: Job requirements, Employees' Present Job Skills and Training Needs. Thus, the total need can be determined by analysing the situation in respect of each skill and each member of the work force.

This can be done in the following ways:

Analysis of an Activity: List in a logical sequence, the activities in producing a product or service or part thereof, and determine what new knowledge or skill is called for or which aspects of present knowledge or skill need to be modified.

Analysis of Problems: To analyse 'problems' and determine what additional skills, knowledge or insights are required to handle it.

Analysis of Behaviour: To analyse typical behaviour by individuals or groups and determine the corrective action involving training.

Analysis of an Organisation: To analyse organisational weaknesses to produce clues to both individual and group training needs.

Appraisal of Performance: To analyse performance and determine if someone should get something, be it additional knowledge, skill or understanding.

Brainstorming: To bring together a homogenous group and to ask individuals in the group to call out any ideas they have for answering a 'how to' question and identify items which call for additional knowledge, skill or attitude.

Buzzing: To ask an audience of supervisors, managers, professional, personnel or others (as long as it is homogenous), as to what the desirable next steps are in the organisation's training programme or 'what additional areas of knowledge (or skill or understanding), do we need to handle our work better'.

Card Sort: To write statements or potential training needs on cards, hand them over to the persons whose ideas are sought, to arrange these cards in what they feel is their order of importance for various training needs.

Checklist: To break down a job, process, programme, activity, or area of responsibility into a list of detailed parts or steps arranged in logical sequence. Then to have checked off by each employee the items about which he feels he would like to have more skill or knowledge.

Committee: To constitute an advisory committee composed of persons responsible for or with a direct interest in an activity to identify training needs.

Comparison: To compare what an individual is doing (or contemplates doing) with what others are doing or have done to learn about new ways to handle old problems, keep up-to-date on new techniques and procedures, and fight his own obsolescence.

Conference: To identify training needs and make decisions on ways these needs shall be met.

Consultants: To employ outside consultants to determine training needs and develop ways to meet them.

Counselling: To discuss between a training practitioner and a person seeking guidance regarding ways he can improve his on-the-job performance or prepare for advancement.

In-basket: To measure or test a manager's ability to handle some of the day to day challenges which come to him in writing in his 'in-box' from various sources.

Incident Pattern: To note in terms of success or failure, the responses to special situations and to study the pattern of deviation.

Informal Talks: To meet and talk informally with people for finding clues to training needs.

Interviews: To arrange a formal meeting with the person or group concerned employing the interview techniques.

Observation: To observe such things as may have value as indicators of training needs, especially needs which are just under-the-surface or emerging.

Problem Clinic: To arrange meetings of a homogenous group to discuss a common problem and develop a solution.

Research: To identify implications for training and development as a result of research.

Role Playing: To get clues to his training needs in a skill, an area of knowledge, or in understanding or attitude by observing how each role player acts in a role playing situation.

Self-analysis: To self-evaluate and know what is needed in theory, additional knowledge, skill or insight.

Simulation: To analyse performance in simulated exercise to reveal individual and/or group training needs.

Skill Inventory: To establish and annually update an inventory of the skills of their employees and to identify gaps or blind spots in reserve or stand-by skills.

Slip Writing: To write on a slip the type of training needed and analyse the information on these slips.

Studies: To undertake studies which can turn up training needs which will have to be met if the plans were adopted.

Surveys: To undertake surveys that can be used to take inventory of operations, employee attitudes, implications of advanced planning, etc.

Tests: To perform tests to measure skill, knowledge or attitude and to identify gaps.

Task Force: To constitute a task force which, in analysing the problem may unearth training needs which must be met before their recommended solution to the problem can be implemented.

Questionnaire: To develop a questionnaire to elicit information which can be used to determine training needs, delimit the scope of the training, identify course contents, etc.

Workshop: To identify in a workshop, the need for further understanding or insight about organisation goals or operations

Activity B

You may be aware of how training needs are determined in your organisation. If not, you may contact your Personnel Department for the purpose. Write below the ten most commonly used methods for identifying training needs.

- 1
- 2
- 3
- 4
- 5
- 6
- 7
- 8
- 9
- 10

Training Objectives

As you have seen earlier, the **first** objective of training is to prepare employees for the job meant for them while on first appointment, on transfer, or on promotion, and impart to them the required skill and knowledge. The **second** objective is to assist the employees to function more effectively in their present positions by exposing them to the latest concepts, information, techniques, and developing the skills that would be required in their particular fields. The **third** objective is to build a second line of competent officers and prepare them to occupy more responsible positions.

Formulation of Training Policy

Even though training is primarily the responsibility of the Personnel Department, a suitable training policy has to be evolved by the top management. It should reflect the primary and secondary objectives mentioned above. A training policy should be able to provide answers to the following questions:

- 1 What do you want and hope to accomplish through training?
- 2 Who is responsible for the training function?
- 3 Should the training be formal or informal?
- 4 What are the training priorities?
- 5 What types of training is needed?
- 6 When and where should training be given?
- 7 Should training be continuous or casual?
- 8 How much should the employees be paid during training?
- 9 Which outside agencies should be associated with training?
- 10 How should training be related to labour policy?

Principles of an Effective Training Programme

A successful training programme should be based on the following principles:

- 1 The objectives and scope of a training plan should be defined before its development is begun, in order to provide a basis for common agreement and co-operative action.
- 2 The techniques and processes of a training programme should be related directly to the needs and objectives of an organisation.
- 3 To be effective, the training must use tested principles of learning.
- 4 Training should be conducted in the actual job environment to the maximum possible extent.

Training Methods

Various methods of training have been evolved and any one method, or a combination of any two or more of these can be used, depending upon the training requirements and the level of people to be trained.

Training for Different Employees

The employees who are to be trained can be of different types and each type would require a different type of training.

Unskilled workers are given training in improved methods of handling machines and materials. The objective here is to secure reduction in cost of production and waste. Training is given on the job itself, by immediate superior officers.

Semi-skilled workers require training to cope with requirements arising out of adoption of mechanisation, rationalisation and technical processes. Training is given by more proficient workers, bosses or inspectors. It may be given either in the section or department of the worker or in segregated training shops.

Skilled workers are given training through apprenticeship in training centres or in the industry itself.

Salesmen are trained in the art of salesmanship, in handling customers, planning their work, and facing challenges of market place.

Supervisory staff constitute a very important link in the chain of administration. They have to cope with the increasing demands of the enterprise in which they are employed and to develop team spirit among people under their charge. A training programme for them should aim at helping the supervisors to improve their performance, and to prepare them for assuming greater responsibilities at higher levels of management.

Principles of Learning

Certain principles are followed for developing effective training programmes. Some of these are described below:

- 1 Every human being is capable of learning.
- 2 An adequate interest in and motive for learning is essential because people are goal-oriented.
- 3 Learning is active, and not passive.
- 4 People learn more and faster when they are informed of their achievements.
- 5 People learn more by doing than by hearing alone.
- 6 Time must be provided to practise what has been learnt.
- 7 A knowledge of the standards of performance makes learning effective.
- 8 Learning is a cumulative process. An individual's reaction to any lesson is conditioned and modified by what has been learned by him in earlier lessons and by previous experience.
- 9 Early success increases an individual's chances for effective learning.
- 10 Effective learning results when initial learning is followed immediately by application.
- 11 The rate of learning decreases when complex skills are involved.
- 12 Learning is closely related to attention and concentration.
- 13 Learning is more effective when one sheds one's half-knowledge, prejudices, biases, likes and dislikes.
- 14 Learning to be successful should be related to a learner's experiences in life.
- 15 Trainees learn better when they learn at their own pace.

Training Methods

All training methods can be broadly classified as (a) on-the-job methods, and (b) off-the-job methods.

a) On-the-job Methods

Under these methods the principle of learning by doing is used. These methods are briefly described below:

- 1 **On-the-job Training:** An employee is placed in a new job and is told how it is to be performed. It aims at developing skills and habits consistent with the existing practices of an organisation and by orienting him to his immediate problems. Coaching and instructing is done by skilled workers, by supervisors, or by special training instructors. A variety of training aids and techniques are used such as procedure charts, lecture manuals, sample problems, demonstrations, oral and written explanations, tape recorders, etc.
- 2 **Vestibule Training or Training-Centre Training:** It involves classroom training imparted with the help of equipment and machines identical to those in use at the place of work. Theoretical training is given in the classroom, while practical work is conducted on the production line. It is often used to train clerks, bank tellers, inspectors, machine operators, typists, etc.
- 3 **Simulation:** It is an extension of vestibule training. The trainee works in closely 'duplicated' real job conditions. This is essential in cases in which actual on-the-job practice is expensive, might result in serious injury, a costly error or the destruction of valuable material or resources, e.g. in aeronautical industry.
- 4 **Demonstration and Examples:** Here the trainer describes and demonstrates how to do a certain work. He performs the activity himself, going through a step-by-step explanation of the 'why', 'how' and 'what' of what he is doing. Demonstrations are often used in combination with lectures, pictures, text material, discussion, etc. The emphasis under this method is on know-how. The principles and theory of a job must be taught by some other methods.

- 5 **Apprenticeship:** A major part of training time is spent on the on-the-job productive work. Each apprentice is given a programme of assignments according to a predetermined schedule which provides for efficient training in trade skills. This method is appropriate for training in crafts, trades and technical areas, specially when proficiency in a job is the result of a relatively long training or apprenticeship period, e.g., job of a craftsman, a machinist, a printer, a tool maker, a pattern designer, a mechanic, etc.

b) Off-the-job or Classroom Methods

Training on the job is not a part of every day activity under these methods. Location of this training may be a company classroom, an outside place owned by the organisation, an education institution or association, which is not a part of the company.

These methods are:

- 1 **Lectures:** These are formally organised talks by an instructor on specific topics. This method is useful when philosophy, concepts, attitudes, theories and problem solving have to be discussed. The lectures can be used for a very large group to be trained in a short time. These are essential when technical or special information of a complex nature is to be imparted. The lectures are supplemented with discussions, film shows, case studies, role-playing, etc.

- 2 **The Conference Method:** Under this method, a conference is held in accordance with an organised plan. Mutual problems are discussed and participants pool their ideas and experience in attempting to arrive at better methods of dealing with these problems. The members of the group come to teach each other and to learn together. Conferences may include Buzz sessions which divide Conferences into small groups of four or five for intensive discussions. These small groups report back to the whole group with their conclusions or questions. This method is ideally suited for analysing problems and issues, and examining them from different viewpoints. It helps in developing conceptual knowledge, reducing dogmatism and modifying attitudes.

However, it is suitable only for a small group of, say 20-30 persons, because a larger group often discourages active participation of all the conferees. Under this method the conferees should have some knowledge of the subject to be discussed. They should be good stimulating leaders who can adopt a flexible attitude and encourage members to express themselves without fear. They should also control the more verbose members while bringing out the more reserved. They can develop sensitivity to the thoughts and feelings of individuals, summarise material at appropriate times during a discussion, and ensure a general consensus on points without forcing agreement or side-stepping disagreements.

- 3 **Seminar or Team Discussion:** The group learns through discussion of a paper on a selected subject. The paper is written by one or more trainees. Discussion may be on a statement made by the person in charge of the seminar or on a document prepared by an expert. The material to be analysed is distributed in advance in the form of required reading.
- 4 **Case Discussion:** Under this method, a real (or hypothetical) business problem or situation demanding solution, is presented to the group and members are trained to identify the problems present, they must suggest various alternatives for tackling them, analyse each one of these, find out their comparative suitability, and decide for themselves the best solution. The trainer only guides the discussion and in the process ensures that no relevant aspect is left out of discussion, and adequate time is spent on each aspect. This method promotes analytical thinking and problem-solving ability. It encourages open-mindedness, patient listening, respecting others' views and integrating the knowledge obtained from different basic disciplines. Incidentally, it enables trainees to become increasingly aware of obscurities, contradictions and uncertainties encountered in a business. This method is extensively used in professional schools of law and management, and in supervisory and executive training programmes in industry.
- 5 **Role-Playing:** This method is also called 'role-reversal' 'socio-drama' or 'psycho-drama'. Here trainees act out a given role as they would in a stage play.

Two or more trainees are assigned roles in a given situation, which is explained to the group. There are no written lines to be said and, naturally, no rehearsals. The role players have to quickly respond to the situation that is ever changing and to react to it as they would in the real one. It is a method of human interaction which involves realistic behaviour in an imaginary or hypothetical situation.

Role playing primarily involves employee-employer relationships, hiring, firing, discussing a grievance problem, conducting a post appraisal interview, disciplining a subordinate, or a salesman making presentation to a customer.

- 6 **Programmed Instruction:** This involves two essential elements: (a) a step-by-step series of bits of knowledge, each building upon what has gone before, and (b) a mechanism for presenting the series and checking on the trainee's knowledge. Questions are asked in proper sequence and indication given promptly whether the answers are correct.

This programme may be carried out with a book, a manual or a teaching machine. It is primarily used for teaching factual knowledge such as Mathematics, Physics, etc.

Activity C

Find out about the various training programmes used in your organisation, as also the types of employees for whom each is used and what it seeks to accomplish. Write these below:

Programme	Employees for whom used	What it seeks to accomplish
1		
2		
3		
4		
5		
6		
7		
8		
9		
10		

Responsibility for Training

If you have realised that training is quite a stupendous task, which cannot be done by one single department, you are right in your thinking.

In fact, total responsibility for training has to be shared among:

- The top management who should frame and authorise the basic training policies, review and approve the broad outlines of training plans and programmes, and approve training budgets.
- The personnel department, which should plan, establish and evaluate instructional programmes.
- The supervisor who should implement and supply the various developmental plans.
- Employees, who should provide feedback, revision and suggestions for improvement in the programme.

6.4 MANAGEMENT DEVELOPMENT

Management Development is a systematic process of training and growth by which managerial personnel gain and supply skills, knowledge, attitudes and insights to manage the work in their organisations effectively and efficiently.

Need for Management Development

A business organisation has to develop the potential of all those who are in management positions or who are fresh from management institutions and have the potential for development. This development is necessary because of the following reasons:

- Society is facing a rapid rate of technological and social change. Management personnel need to be developed as they have to tackle problems arising out of introduction of automation, intense market competition, growth of new markets, enlarged labour participation in management and greater interest being taken by the public and the government in various activities of business.
- Business and industrial leaders are increasingly recognising their social and public responsibilities which call for a much broader outlook on the part of management.
- Managers have to be developed for handling problems arising out of increasing size and complexity of the organisations.
- Management labour relations are becoming increasingly complex.
- To understand and adjust to changes in socio-economic forces, including changes in public policy and concepts of social justice, industrial democracy, problems of ecology (smog or pollution), ekistics (the problem of human settlements), ergonomics (the problem of working environment) and cultural anthropology (the problem of fitting machines to men).

Management Development Concepts

A sound programme of management development has to be based on the development of concepts evolved in the past. The more important of these are given below:

- Management development is not a 'one shot' affair but continues throughout an executive's whole professional career.
- There always exists some gap between actual performance and capacity, which provides considerable opportunity for improvement.
- Increased understanding of others, their behaviour and attitude, and of oneself definitely aids in managing, and contributing to personal development.
- There are certain forces which may retard further growth, for example, age, habits reduced motivation.
- Development seldom takes place in a completely peaceful and relaxed atmosphere. Growth involves stresses and strains.
- Development requires clear-cut objectives and goals which are to be achieved or attained, and the ways and methods of achieving these.
- Participation is essential for growth. Spoon feeding seldom brings significant or lasting improvement.
- Feedback from a superior to a subordinate and from a group to an individual is necessary for the recognition of short comings and for keeping oneself in touch with the progress that has been achieved.
- An important responsibility of the personnel departments is that of development.

Objectives of Management Development

Any programme of management development must aim at achieving the following objectives:

- To assure the organisation of availability of required numbers of managers with the required skills to meet the present and anticipated future needs of the business.
- To encourage managers to grow as persons and in their capacity to handle greater responsibility.
- To improve the performance of managers at all levels in the jobs that they hold now.
- To sustain good performance of managers throughout their careers.

Management development must relate to all managers in the organisation. It must lead to growth and self-development of the organisation. Its focus should be on

future requirements rather than those of today. Management development must be dynamic and qualitative, rather than static replacement based on mechanical rotation.

A. Dasgupta has given objectives of development of managerial personnel for various levels of management. These are given below:

a) Top Management

- 1 To improve thought processes and analytical ability in order to uncover and examine problems and take decisions in the best interests of the country and organisation;
- 2 To broaden the outlook of the executive in regard to his role, position and responsibilities in the organisation and outside;
- 3 To think through problems which may confront the organisation now or in the future;
- 4 To understand economic, technical and institutional forces in order to solve business problems; and
- 5 To acquire knowledge about the problems of human relations.

b) Middle Line Management

- 1 To establish a clear picture of executive functions and responsibilities;
- 2 To bring about an awareness of the broad aspects of management problems, and an acquaintance with, and appreciation of, inter-departmental relations;
- 3 To develop the ability to analyse problems and to take appropriate action;
- 4 To develop familiarity with the managerial uses of financial accounting, psychology, business law and business statistics;
- 5 To inculcate knowledge of human motivation and human relationships; and
- 6 To develop responsible leadership.

c) Middle Functional Executive and Specialists

- 1 To increase knowledge of business functions and operations in specific fields in marketing, production, finance, personnel;
- 2 To increase proficiency in management techniques such as work study, inventory control, operations research, quality control;
- 3 To stimulate creative thinking in order to improve methods and procedures;
- 4 To understand the functions performed in a company;
- 5 To understand human relations problems; and
- 6 To develop the ability to analyse problems in one's area or functions.

Organisational Climate for Management Development

Organisational climate means the circumstances or conditions in which the management guides the development and growth of people at all levels by training, counselling, delegation and communication. This refers to the manner in which things are managed, the way people are treated, the extent of delegation of authority, system of encouraging ideas, initiative and enterprise, opportunity for experimenting and testing new concepts, tools and techniques for projection of a company's goals, policies and philosophy.

Management development is not possible unless a favourable climate for it is created in the organisation.

There must be definite, comprehensive and coordinated plan for the development of managers. It should be drawn after consultation with the people concerned and communicated to all those who have to administer and function under it. It must begin with the top so that management at that level may set an example.

Activity D

- a) Do you feel that your organisation has a definite plan of developing you for assuming a higher position? Yes ☐ No ☐

b) Do you know what the plan is? Yes ☐ No ☐

c) If yes, please describe it below:

d) What do you think are the aspects of your development that are being emphasised and those which you would, in addition, like to be emphasised?

Aspects Being Emphasised	Additional Aspects Desired
1	1
2	2
3	3
4	4
5	5
6	6
7	7
8	8
9	9
10	10

Techniques of Management Development

You have earlier studied various methods of training workers and supervisors. We shall now describe various methods of management development. You will notice that emphasis is not on skills but on handling of situations, people, and managerial problems.

These techniques are explained below:

Planned Progression: Under this method, the path of promotion that lies before the manager who occupies a given position is blue-printed. The path may be through the successive levels of organisation structure within one department. The path may also be traced through 3 or 4 departments providing broad experience and wide opportunities.

Job Rotation: As the individual moves from job to job he receives diversified training. This rotation can be of different types:

Rotation in non-supervisory work situations: Here the individual is assigned to predetermined jobs within a list of departments for a given period of time and he acquaints himself with a range of activities undertaken by the firm.

Rotation in observation assignments: Opportunities are created for individuals to observe a group of department managers and to acquaint themselves with various managerial problems and their solutions. This gives them an opportunity to 'sell' themselves and to learn the type of work they would like to do.

Rotation among managerial training positions: Certain managerial positions are designated as training stations which are successfully occupied by trainees. The purpose is to give actual supervisory experience in a variety of positions in several departments.

Middle-level rotation in 'assistant' position: The individual are shuffled as assistant managers in several departments to broaden their experience at a high level in each department.

Unspecified rotation among managerial positions: This is aimed at giving managers responsible experience in a variety of positions.

Creation of 'Assistant-to' Position: Here the superior can act effectively as the teacher and he can judge the assistant's decision-making and leadership ability.

Working in this position, the individual broadens his viewpoint by exposure to many areas of managerial practice.

Under-study: An under-study is a person selected for an being trained to assume at a future time the full duties and responsibilities of the position presently held by his superior. A fully trained person would through this system be available to replace a manager during his long absence or illness or on his retirement, transfer or promotion. He is generally assigned a project which is closely related to the work in his section. He is deputed to attend executive meetings as a representative of his superior.

Coaching-counselling: It involves discussion between an employee and his superior on matters concerning the employee's personal hopes, fears, emotions and aspirations. It is an effective way to get a new subordinate oriented in his job. It involves continuous analysis of the subordinate's performance by the superior. This enables the candidate to understand clearly how the superior operates in matters of inter-departmental relationships and personalities. Counselling cannot be standardised. It is personal in nature. Every executive can coach his men, even if no management development programme exists.

Temporary Promotions: The candidate may be moved up to the next rung of managerial hierarchy and tested for his performance and made accountable during that period of temporary tenure.

Committees and Junior Boards of Management: These are composed of middle level managers, selected on the basis of merit-rating who meet regularly and act as idea men. Their proposals are considered by responsible general executive and may be referred to the Board of Directors, if found suitable. This broadens the perspective of the members and instils in them a sense of responsibility.

Syndicate: Under this method, a team of persons of mature judgement and proven ability is set up with different functional representation so that there is an exchange of ideas and experiences. The syndicate is given a task properly spelt out in terms of briefs and background papers. Large groups are split into smaller ones of 8-10 persons each and discussions are supplemented by short lectures. The teacher acts as a 'resource' person rather than as a lecturer. This method enables an executive to acquire a proper perspective on his job in relation to the activities in areas other than his own.

Case Discussion: (This has been described earlier.)

Incident Process: This is a variant of case discussion. Here only a brief description of an incident is given. Participants have to determine what other relevant information to seek from the instructor, which he gives if he has it.

Role Playing: (This has been described earlier.)

Sensitivity Training: Members are brought together in a free and open environment in which participants discuss themselves and their interactive processes. The discussion is lightly directed by a behavioural expert, who creates the opportunity for participants to express their ideals, beliefs and attitudes. The objective of this method is to provide managers with increased awareness of their own behaviour and of how others perceive them, greater sensitivity to the behaviour of others and increased understanding of group processes. Specifically, it aims at increased ability to empathise with others, improved listening skills, greater openness, increased tolerance for differences and improved conflict-resolution skills.

Management or Business Games: These are class room simulation exercises in which teams of individuals compete with each other in order to achieve a given objective. An atmosphere is created in which the participants play a dynamic role and enrich their skills through involvement and simulated experience. Usually, several teams are formed which represent competing units. Teams take decisions on specified matters for each period. Based on these decisions the position of each company and the industry as a whole is given by the umpire and then decisions are taken again for the next period. The game continues for 6 to 12 periods. Business games are designed to teach trainees how to take management decisions in an integrated manner and in a comparatively short time. Participants learn by analysing problems and by making decisions by a trial-and-error process.

In-basket Exercise: This is a variant of simulation. The trainee is provided with a desk and a variety of immediate problems in his 'in' basket. His reactions and decisions become the basis for critical evaluation and discussion.

Transactional Analysis (T.A.): In this practice it is assumed that people have three basic 'states of being'—Parent, Child and Adult. These states or traits are manifest in their transactions (dealings) with others—through words, manner, appearance and gestures. If the Parent trait is strong the person has a tendency to approach transactions as a regulator and evaluator of others. Persons influenced by the Child trait tend to feel inferior and dominated. Those with the Adult trait view life as it is experienced in reality—one figures it out by oneself—not as one was taught (Parent) or how one wished or fancied it to be (Child).

Two persons with the Adult trait will conduct a transaction with thoughts and recognition of mutual worth. T.A. training can lead to modified behaviour by providing personal insights.

Activity E

What management development programmes have you attended so far? State in respect of each how you have benefited as a manager?

Programme	Benefits
1	
2	
3	
4	
5	
6	

6.5 RETRAINING

Retraining programmes are designed as a means of avoiding personal obsolescence. It is the tendency of the individual worker to become outdated in terms of job requirements. This is true of employees at every level in the organisation.

However, retraining is focused on rank-and-file workers. This is so because their number is large and technological change makes its immediate impact on those who work closer to technological resources. Besides they are less equipped to foresee their personal needs and because they require more assistance in advance planning than do others.

Workers require refresher courses to help them recall what they have forgotten and to overcome some practices they have come to accept as satisfactory. They also need to bring them with respect to relevant new knowledge and skill. The need for retraining also arises as a result of technological changes resulting in changes in equipment, tools, and work methods.

6.6 EVALUATION OF TRAINING PROGRAMMES

Each training programme should have provision for evaluation as part of planning; otherwise you cannot be sure that you are doing the right thing and that you are not wasting the valuable time and money of the organisation on these programmes.

Any evaluation begins with the criteria which depend on the objectives. Some of the criteria could be:

reaction of trainees, i.e., whether the participants liked or disliked the programme;

learning, i.e., whether the concepts, ideas and principles of the training were intellectually assimilated by the participants;

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behavioural changes, i.e., whether the training caused people to alter their behaviour on the job; and

impact on organisation effectiveness, i.e., whether the modified behaviour caused positive results, such as an increased output, improved quality and lower costs.

These criteria can be viewed as either subjective or objective.

Subjective criteria call for opinions of participants who are asked about their impressions of training effectiveness. This can be done during training at its close or at some period after the training has ended. Similar evaluation may be made by trainers and management.

Objective criteria relate to effects of training by measuring specific outcomes. For example, review is made of performance appraisals of trainees following the training programme.

After the evaluation is made, the situation should be analysed to find the probable causes for a difference between expected outcome and actual outcome. Consequently necessary precautions should be taken for designing and implementing future programmes to avoid these. The causes may lie in the designing of a programme and/or its implementation. The organisation's investment in terms of energy, time and money, made in these programmes must be justified by the related outcome in terms of the increased efficiency and effectiveness of working of the participants.

6.7 CONCLUSION

This unit should have helped you to realise why it is necessary to train new employees for their jobs and the old employees for the new jobs assigned to them. It would also have helped you to understand how to set up suitable training programmes and execute them so that their objectives are achieved.

This unit has also helped you to understand why it is necessary to develop managers in an organisation and how this can be done successfully.

6.8 SELF-ASSESSMENT TEST

Take each of these objectives listed in the beginning of the Unit and regard it as a question. Working from memory, write not more than half a page on each so that you can assess whether you can recall the main points covered in this Unit.

6.9 FURTHER READINGS

Dasgupta, A. 1974. *'Business and Management in India'*, Vikas Publishing House: Delhi.

Figors, Paul and Charles A. Myers. 1981. *'Personnel Administration—A Point of View and a Method'*, McGraw-Hill: New York.

Yoder, Dale and Paul D. Staudohar. 1982. *'Personnel Management and Industrial Relations'*, Prentice-Hall: Englewood-Cliffs.

UNIT 7 CAREER PLANNING

Objectives

After going through this Unit, you should be able to:

- explain what career planning is and how it differs from manpower and succession planning;
- understand the needs, purposes, objectives, advantages and limitations of career planning;
- describe the process of career planning and development, etc.; and
- delineate the conditions under which career planning can succeed in an organisation.

Structure

- 7.1 Introduction
- 7.2 What is Career Planning?
- 7.3 Why Career Planning?
- 7.4 Responsibility for Career Planning
- 7.5 Process of Career Planning and Development
- 7.6 Advantages of Career Planning
- 7.7 Limitations of Career Planning
- 7.8 What makes Career Planning a Success?
- 7.9 Conclusion
- 7.10 Self-assessment Test
- 7.11 Further Readings
- 7.12 Appendix

7.1 INTRODUCTION

This unit has been prepared with the object of explaining the concept and management technique of career planning, and why such a planning is considered an essential aspect of managing men for obtaining optimum performance from them. Achievement of organisational development, increased productivity and fulfilment of corporate objectives can be possible only if the employees of the organisation get a feeling of satisfaction and achievement, and feel part of that organisation. Normally employees have aspirations to advance and grow in their organisation, and also a desire to achieve a sense of fulfilment. Unless these aspirations and desires of employees are taken care of, the organisation cannot be taken to higher levels of efficiency and productivity. An organisation will gain strength and vitality only when its employees are convinced that they will also stand to gain thereby, not only in financial and other tangible terms but also emotionally and mentally—that they will ascend the so-called Maslow's scale. One way to achieve all this is a well thought-out system of career planning.

7.2 WHAT IS CAREER PLANNING?

Career Planning essentially means helping the employees to plan their career in terms of their capacities within the context of organisational needs. It is described as devising and organisational system of career movement and growth opportunities from the point of entry of an individual in employment to the point of his retirement. It is generally understood to be a management technique for mapping out the entire career of young employees in higher skilled, supervisory, and managerial positions. Thus, it is the discovery and development of talents, and planned deployment and redeployment of these talents. Some writers on organisational matters have described it as the regulation of "blue eyed" jobs. It is also described as a process of synthesising and harmonising the needs of the organisation with the innate

aspirations of the employees, so that while the latter realise self-fulfilment, the organisational effectiveness is improved.

Literally, a career can be defined as a sequence of separate but related work activities that provide continuity, order and meaning to a person's life. It is not merely a series of work-related experiences, but consists of a series of properly sequenced role experiences, leading to an increasing level of responsibility, status, power, and rewards. It represents an organised path taken by an individual across time and space. In the case of an employee, career planning provides an answer to his question as to where he will be in the organisation after five years or ten years or what the prospects of advancing or growing are in the organisation or building the scope for his career there. **Career planning is not an event or an end in itself, but a process** of development of human resources. In short, it is an essential aspect of managing people to obtain optimal results.

Difference between Career and Manpower Planning

The two expressions, that is, Career Planning and Manpower Planning, should not be treated as synonymous. The latter enables the personnel department of an organisation to report on the inventory of skills and potentials available in the organisation. The former enables it to say who on the basis of performance and potentials appraised and evaluated, could be groomed for or fitted in higher level assignments, and where, when, and how (i.e. after what kind of training by way of job rotation, job enlargement, informal and formal training or learning process). Again manpower planning provides higher management the data on what, by way of human resources, is immediately available within the organisation if certain conditions change such as expansion of the existing plant, a technological innovation, a new plant construction, a new branch opening, a new line of production, etc. Career planning gives only a picture of the succession plan and of the potentials for the development of the persons already in position for the future manpower needs caused by retirements and other casualties, and future developments. It has to build theoretical career ladders for all key and important employees. If such important employees have to be retained, their aspirations for growth have to be satisfied.

However, there cannot be effective manpower planning if there is ineffective career planning in the organisation. In other words, career planning is an integral part of the manpower planning which in turn is an important part of the business or corporate planning. On the basis of manpower planning the organisation will have the following information which also facilitates career planning:

- An inventory of manpower resources.
- Manpower needs in terms of number, types, skills, levels and time dimensions.
- Changes in functions and activities two, five, or ten years hence, if not for a longer period.
- Nature and extent of behavioural changes required to meet manpower needs.
- Availability of human resources within and without the organisation, training opportunities, training resources and training time.

On the basis of the above information, an effective organisational career planning process should include the following:

- Assessment of occupational and career choice.
- Personnel assessment.
- Annual appraisal and development programme.

Career Planning and Succession Planning

These two expressions are not synonymous, but they are similar. Succession planning is generally required for higher level executives, while career planning covers executives at all levels including highly skilled employees and operatives. Both have the same requirements and implications as Management Development Programmes for the executives. Generally, career planning in an organisation means that it has a succession plan for the higher level executives. The succession plan

involves identification of vacancies that are likely to occur in the higher echelons, and to locate the probable or likely successors. In career planning we may have charts showing the career paths of different categories of workers showing how they can advance up in the organisation, but the succession plan is generally reduced to a 'runner up chart' or succession chart in respect of a particular position which may take the following form:

Illustration 1 : Succession Plan in Company X for Managing Director

(Due to retire at the age of 60, a year hence)

	Current Designation	Age	Colour Code
1 Mr. A	Director (Production)	56	Blue
2 Mr. B	Director (Marketing)	53	Red
3 Mr. C	Director (Planning)	54	Green
4 Mr. D	Director (Personnel)	51	White
5 Mr. E	Director (Finance)	55	White

Code : Green : Ready now
 Blue : Ready in three to five years
 Red : Ready in three to five years
 White : Not likely to be qualified, but would be the best available if others do not make even the white grade.

Note : The chairman of the Board of Directors will have some such document in his personal custody, as it might help him to identify a successor to fill the post of Managing Director when the latter retires.

Illustration 2 : Succession Plan for General Manager (Personnel)

(Retiring after two years)

	Current Designation	Age	Colour Code
Mr. X	Manager (Personnel)	54	Red
Mr. Y	Chief Industrial Relations Officer	58	Blue
Mr. Z	Chief Organisation Development Officer	52	Green

Note : Z will be the obvious choice, but in order to avoid supersession of Mr. X, the company might resort to open market recruitment.

Illustration 3 : Career Paths for Various Types of Jobs

- Unskilled (worker) → Semi skilled → Skilled → Highly skilled → Foreman.
- Junior Clerk → Senior Clerk → Assistant → Section Officer → Under/Deputy Secretary
- Supervisor → Assistant Manager → Deputy Manager → Manager → General Manager
- Labour Welfare Officer → Personnel Officer → Chief Personnel Officer → Assistant Personnel Manager → Personnel Manager → Director (Personnel)
- Lecturer → Assistant Professor → Associate Professor → Professor → Dean/Head of the Faculty → Pro-Vice-Chancellor

Advancement on the above career paths may be time bound, as and when vacancy arises, based on seniority, merit, seniority-cum-merit, merit-cum-seniority, etc.

7.3 WHY CAREER PLANNING?

The need to plan for an employee's career is caused by both economic and social forces. If the organisation is to survive and prosper in an ever changing environment, its human resources must be in a constant state of development. A planned programme of internal human resource development pays greater dividends than relying upon chance or frantic outside recruitment when needs seem to arise suddenly. Moreover, too many employees retire on the job when there is no managerial concern for proper career progression. Further, work is losing its premier position as the sole value to be sought in life by most employees. The employees are beginning to insist that the work demands should be effectively integrated with human need for personal growth, expectations of one's family, and ethical requirements of society. As observed by John Leach, it is ironic that what is most precious to the individual in so far as work is concerned, that is, the career, is given the least attention by the organisation.

Considering the changing social and economic environment, the growing work expectations, and aspirations of employees, career planning is now regarded as an essential prerequisite for effective man-management, organisational growth and optimum productivity. Usually, when a person applies for any job, he does so after making necessary enquiries about the prospects of the job, and soon after taking the job he starts enquiring about the position he is likely to hold after three, five, or ten years. If he does not get satisfactory answers, he feels demotivated or frustrated, and starts looking outside for some other job. This is particularly the case with persons in senior supervisory, executive and managerial positions. Various persons holding such positions are keen to know where they can rise in the organisation from their present positions, and when. For attracting competent persons for senior positions and retaining them in the organisation, it is essential that they are assured progressive careers. Career planning has thus become a must at least for manning an organisation with efficient supervisors, higher technical and managerial personnel and for preventing their leaving the organisation for lack of promotional avenues. Good employees wish to seek careers rather than short duration jobs.

Other advantages of career planning are:

- increasing utilisation of managerial reserves within the organisation;
- ensuring performance of employees at satisfactory levels by meeting their needs and aspirations for growth;
- reducing employee turnover for lack of promotional avenues; and
- maintaining and improving motivation and morale of employees.

All these needs are met by matching individual abilities and needs to the demands and rewards of the job through proper career planning and designing. Accordingly, suitable career development programmes which enable employees to achieve personal fulfilment and also ensure that the organisation places the right people in the right place at the right time, have to be sponsored.

Purposes and Objectives of Career Planning

Career plans, if conceived and executed properly keeping in view the needs of the organisation and the employees, benefit both of them by promoting their growth and development and harmonising their interests. The purposes and objectives that career planning serves are listed below in specific and summary form (at the cost of some repetition):

- 1 Attraction and retention of the right type of persons in the organisation.
- 2 Mapping of careers of employees in the organisation suitable to their ability and skill, and their willingness to be trained and developed for higher positions.
- 3 Better use of human resources, more satisfied and productive employees, and more fulfilling careers.
- 4 Reducing employee turnover and absenteeism, and thus having a more stable and satisfied workforce.
- 5 Increasing utilisation of managerial reserves available at all levels within the organisation.
- 6 Improvement of morale and motivation of employees by matching their individual abilities and needs to the demand and reward of the job ensuring them adequate opportunities for promotion and growth in the organisation.
- 7 Overall achievement of organisational development, higher productivity and fulfilment of corporate objectives.
- 8 Ensure that men and women of promise are given a sequence of experience that will equip them for whatever responsibility they have the ability to reach.
- 9 Provide individuals with the guidance and encouragement they may need if they are to fulfil their potentials and remain with the organisation.

7.4 RESPONSIBILITY FOR CAREER PLANNING

A basic question regarding Career Planning arises as to whose responsibility it is for such a planning. Is it of the employee or of the management? Basically career

planning is an individual's responsibility. However, in the organisational context, it is the organisation's responsibility to guide and direct the employees to develop and utilise their knowledge, abilities and resources towards organisational development and effectiveness. Employees' goals have to be integrated with organisational goals.

In fact till recently the individual career was decided by the organisation. The success of one's career was often indicated by the number of moves that were made, since these moves were generally rewarded by promotions to more important and better paying jobs. The organisation was rarely concerned whether the new job was really what the individual wanted, and the individual had very limited control over his career.

Of late, thinking in regard to career planning has been changing. Organisations are becoming concerned about whether an individual's abilities and needs are really matched to the job. They are also now concerned with matching an employee's needs to the rewards of the jobs, and have started accepting the fact that not all people want to be promoted or can be promoted. Such people should better be left to themselves to plan their own future in the organisation, and develop and train themselves for meeting the needs of the organisation and thus justifying their retention in the positions that they hold. Many organisations consider it the responsibility of the employees themselves to plan their own careers and train and develop themselves to acquire necessary merits for advancing to higher positions in the organisation. The organisation may provide them some guidance or counselling for planning their careers.

7.5 PROCESS OF CAREER PLANNING AND DEVELOPMENT

There are two components of career planning and development:

- Career Development Programme
- Career Planning Activities

Career Development involves three activities:

- a) Assisting employees in assessing their own internal career needs.
- b) Developing and publishing available career opportunities in the organisation.
- c) Aligning employee needs and abilities with career opportunities.

a) Internal Career Assessment

Since a person's career is a highly personal and extremely important element of life, each person is to make his or her decision in this regard. However, the personnel manager may assist an employee's decision-making process by providing as much information as possible to the employee showing what type of work would suit him the most, considering his interest, skill, aptitude, and performance in the work that he is already doing. For rendering such help some big organisations provide formal assessment centre/workshops where small groups of employees are subjected to psychological testing, simulation exercises and depth interviewing. The objective of such programmes is not that of selecting future promotees, but rather to help individuals to do their own planning.

b) Career Opportunities

Knowing that employees have definite career needs, there naturally follows the obligation of specifically charting career paths through the organisation and of informing the employees. For identifying the career paths the technique of job analysis may help in discovering multiple lines of advancement to several jobs in different areas.

c) Employee's Needs and Opportunities

When employees have assessed their needs and have become aware of organisational career opportunities, the remaining problem is one of alignment. For aligning or matching the career needs of employees to opportunities offered by the organisation, special training and development techniques such as special assignment, planned position rotation, and supervisory coaching, are used. The

personnel department of some organisations have also some system of recording and tracking moves through the organisation, and maintain an organisation chart that highlights age, seniority and promotion status.

Career Planning Process and Activities

The process of career planning involves a number of activities or steps to be undertaken as mentioned below:

- Preparation of personnel inventory of the organisation.
- Building career paths or ladders for various categories of employees.
- Locating or identifying employees with necessary potential for career planning.
- Formulation and implementation of suitable plans for training and development of persons for different steps of the career ladder or paths.
- Maintaining age balance while taking employees up the career path.
- Review of career development plan in action.

Organisation's Personnel Inventory

Such an inventory is an essential prerequisite for any successful career planning within the organisation. This inventory should be so prepared as to provide the following information:

- Organisational set up and its different levels.
- The existing number of persons manning the organisation. For this, manning tables are prepared showing the nature of positions at different levels of the organisation and the number of persons manning those jobs. Sometimes the age of persons holding the jobs are also mentioned in the table to show when they are likely to retire and when the vacancy thus caused may be required to be filled.
- Types of existing employees, their status, duties, qualifications, age, aptitude, ability to shoulder added responsibility and their acceptability to their colleagues.
- Whether the existing manpower is short or in surplus to requirements. If there is a shortage, how many more persons are required, and for what positions.
- Number of persons required in the near future, say in the next one to five years, to meet the needs arising from expansion or diversification of work or natural wastage of manpower. The latter includes death, permanent disability, superannuation and retirement, discharge, dismissal, voluntary resignation, or abandonment of the jobs. Collections of all the above information may amount to manpower planning, and involve preparation of manpower budget showing present and immediate future needs.

Employees Potential for Career Planning

After determining the career path, the next logical step is to find out the suitable employees who may have the necessary ability and potential for climbing up the ladder and are willing to be promoted and to take up higher responsibilities. For this we have to utilise the management control technique of Performance Appraisal and Merit Rating. Periodical evaluation and merit rating of employees is also necessary for proper planning of manpower and career of employees in the organisation, as this could be possible only by knowing how much and what type of manpower is available, and the potential of employees whose career is to be planned. Performance appraisal and merit rating may result in the following findings:

- a) The identification of a group of employees who are already fit and ready of further training to accept now or will be ready with the minimum of further training to accept the challenges and responsibilities in the future as per the job description and other required factors.
- b) The identification of a group of employees who have the potential to take up added responsibilities if they gain further specialised experience, training and exposure, and are willing to get such training, experience or exposure.
- c) The identification of a group of employees who may have the capacity but lack interest or desire to accept added responsibilities. To this group may also be added those who would like to play newer roles, but are not expected to acquire the capacity to fill the role.

The above three findings show that the employees in group (a) can be promoted to fill the vacancies in the higher position as they are capable of taking added responsibilities and the employees in group (b) can fill the vacancies thus caused though they may require some more experience and training to hold the higher posts. The employees in group (c) may have the capability to take added responsibilities but they lack the will to do so. They, therefore, require not only more training and experience for climbing up the career ladder, but also some counselling and motivation, as they lack the will to take added responsibilities.

Formulation and Implementation of Training and Development Plans and Programmes

The above three findings thrown up by performance appraisal and merit rating emphasise the importance of the next step in the process of career planning, that is, training and development. For making the career planning a success it is essential that the training and development programmes should be so planned and designed that they meet the needs of both the management and employees, and the participants of these programmes should be the employees who are willing to be trained and developed further to make their career in the organisation. Methods of training and nature of skill and knowledge to be imparted may be different for different classes of employees. The emphasis may be on improving technical skill of skilled workers for handling machines, technicians and also shopfloor supervisors, and on acquiring and improving leadership qualities, human and conceptual skills for senior supervisors, executives and managers. A statement showing different categories of employees who may need training, knowledge and skill to be imparted to them, and the methods of training that could be followed in their case, is enclosed as Appendix for your information.

Age Balance and Career Paths

One widespread difficulty in career planning may arise from the need to accommodate men in the same level of supervisory and managerial hierarchy, some of whom are young direct recruits and others are promotees who are almost always considerably older. The latter, because of their limited education or formal professional qualification, cannot expect to move up very high; the former as they are better educated and trained have aspirations for rapid vertical mobility. Promotion and direct recruitment at every level must, therefore, be so planned as to ensure a fair share to either group. Intense jealousies, rivalries, groupism may develop if this aspect of personnel administration is neglected. Very quick promotions which create promotion blocks should also be avoided if the employees are not to feel stagnated or demotivated at early stages of their careers, and think of leaving the organisation for better prospects. Such a situation can be avoided if promotions are properly spaced.

Review of Career Development Plans in Action

Career planning is a continuous activity. In fact it is a process. For effective career planning, a periodical review process should be followed so that the employee may know in which direction the organisation is moving, what changes are likely to take place and what resources and skills he needs to adapt to the changing organisational requirements. Even for the organisation, annual evaluation is desirable to know an employee's performance, limitations, goals and aspirations, and to know whether the career plan in action is serving the corporate objective i.e. effective utilisation of human resources by matching employee abilities to the demands of the job and his needs to the rewards of the job. Some of the questions that could be asked while evaluating the career plan might be:

- Was the classification of the existing employees correct?
- Are the job descriptions proper?
- Is there any employee unsuited to his job?
- Are the future manpower projections still valid?
- Is the team pulling on well as a whole?
- Are the training and development programmes adequately devised to enable the employee to climb up the career ladder and fit into higher positions?

Answers to all these and other questions can be found either by holding a brainstorming sessions or by undertaking a survey of career planning activities and their impact on the working of the organisation.

Career Counselling

Career planning may also involve counselling individuals on their possible career paths, and what they must do to achieve promotions. The need for such counselling arises when employees to plan their own careers, and develop or train themselves for career progression in the organisation. This does not mean revealing the number of determined steps in a long range plan of the organisation.

Even if it were possible, it would be inappropriate to raise expectations which might not be fulfilled or induce complacency about the future. In counselling, the wisest approach is to provide a scenario of the opportunities that might become available. The main aim should be to help the individual concerned to develop himself by giving him some idea of the direction in which he ought to be heading. Some other objectives of career counselling are as follows:

- Enabling individuals to study the immediate and personal world in which they live.
- Providing a normal mature person with guidelines to help him understand himself more clearly and develop his thinking and outlook.
- Achieving and enjoying greater personal satisfaction, pleasure and happiness.
- Understanding the forces and dynamics operating in a system.

7.6 ADVANTAGES OF CAREER PLANNING

As already observed, if properly designed and implemented, career planning benefits the managements as well as the employees. Its important fall-outs and advantages are as follows:

- a) With career planning, a person comes to know in advance the level to which he can rise if he has the ability and aptitude for it. This gives him impetus to avail of the training and development facilities provided by the management, and develop himself in a direction that would improve his ability to handle new responsibilities as planned by the organisation. The very fact that the organisation provides opportunity for growth and promotion increases the loyalty of the employee as well as his retentivity.
- b) The fact that career planning is participative and that job assignment does not come by luck or through connections, but by qualification or merit alone is bound to improve the morale in the organisation, and with this the organisational effectiveness and productivity.
- c) Future recruitment will be more systematic for these will be on the basis of job descriptions and according to present and future requirements.
- d) The new entrant will know and understand that he has not entered into just another job but into a career with an organisation that cares for him, his talents and his aspirations.
- e) Workforce will become more stable, as turnover is bound to be low and with it the cost of hiring new people. Moreover, as people will grow inside the organisation, a unique corporate culture could arise thrive and prosper.
- f) As all employees are surveyed for their abilities aptitude, temperament, etc., it will be possible to group together people talking on a similar wave-length and place them under supervisors who themselves are responsive to that wave-length. The result is a more homogeneous team dedicated to the achievement of the corporate objective.
- g) An organisation with well-designed career plans is able to have a better image in the employment market, and it will attract and retain competent people.
- h) Being an integral part of the manpower planning and corporate planning, career planning contributes towards individual development and utilisation as well as to organisational development and effective achievement of corporate goal.

7.7 LIMITATIONS OF CAREER PLANNING

With all its plus points career planning is not easy to implement. It has its own difficulties and problems, such as the following:

- It does not suit a very small organisation. There should be opportunities for vertical mobility if career planning has to become a reality.
- Career planning is not an effective management technique for a large number of men who work on the shopfloor, particularly for those who are illiterates, less educated, and perform jobs for which labour supply is abundant.
- Growth expectations of the members of the family in a family concern in India. Since, the members of a family expect to move faster than their professional colleagues in the career ladder they upset the career planning exercise.
- Career planning may not be so effective if it is attempted for a period exceeding a decade. This is because in every developing country, environmental factors like political philosophy, new concepts of social justice, new fiscal and monetary policies, state entrepreneurship on a large scale, intensification of social control of business, development of backward areas, state intervention in the working and employment conditions, etc. affect the growth of industrial enterprises and other organisations.
- Political intervention, favouritism and nepotism in promotion, and reservation of seats for backward classes and scheduled castes may make it difficult to have systematic career planning.
- Other constraints or obstacles that may hamper career planning are: practical problems of maintaining a balance between the promotees and recruits, and the absence of integrated personnel policy and plans which is quite common in Indian enterprises. Difficulties in identifying suitable persons for career planning, lack of suitable manpower and rational wage structure, lack of sufficient opportunities for vertical mobility, opposition of trade unions to promotion on merit, difficulties in forecasting replacement needs, assessment of long-term potentials and absence of a clearly matched system of performance reporting, inability of the administration to manipulate changes, difficulties in writing job descriptions and conducting attitudinal surveys, and lack of employee trust in such surveys.

7.8 WHAT MAKES CAREER PLANNING A SUCCESS?

What is most needed to make career planning a reality and success is strong and unflinching conviction of the top management in career planning and their ability to permeate their enthusiasm down below. The path may be trying, but once determined steps have been taken, the success will be seen lying ahead making the management effective and its human resources most productive, benefiting all in the organisation. Some of the other factors and measures which can contribute towards the success of career planning are:

- a) **Business Enterprise** should be **expanding** if career planning is to be feasible, as in such organisations long-term projection of the requirements of the technical, managerial and personnel can be made, and it can provide ample opportunities for vertical mobility or promotion.
- b) An organisation must have **clear corporate goals** for the ensuing five, ten and fifteen years, and on the basis of its corporate plans it should conduct analysis periodically to determine the types of changes, its functions, activities, procedures, technology and materials; if this is not done, an organisation cannot develop the manpower development system, thus reducing the need for career planning.
- c) Interested, goal-directed, motivated and hard working employees are essential for making a career planning programme effective. An organisation can create an environment and show genuine concern for the development of the employees, but the employees must be willing to make use of the resources and opportunities available. There are instances when employees are not interested either in further

developing themselves, or in making use of the training and developing facilities provided by the organisation. As they are contented with what they are, the question of planning their career further help them to plan does not arise.

- d) **Selection of right man for the right job:** This is an essential prerequisite for career planning. The right man should not only be qualified and have necessary experience for the job applied for, but he should also have enough potential and urge to develop himself and grow further in the organisation.
- e) **Maintenance of proper age balance** in career planning is also necessary to avoid rapid promotions and promotion blocks caused by an age structure which is over balanced either on the side of age or that of the youth. Such blocks will not only create problems and difficulties for the smooth working of career plans, but may also affect the growth and effective functioning of the organisation. The latter must have both the process of continuity and renewal in the management function and personnel. Career planning work can be made effective by harmonising the needs of the organisational growth with the normal growth and aspiration of individual employees.
- f) **Management of career stress:** Many employees experience stress at work which is as damaging to an individual career as it is to an organisation. Such a stress may manifest itself in the form of apathy, withdrawal, dissatisfaction, absenteeism, increased accident proneness, hypertension and heart disease. This tension is generally caused either by blockage of career or lack of control when one feels that he is on the way out, either because of impending retirement, or because he is out-paced by younger employees. The management can help the employee to get over this stress either by offering career stress management programmes for getting back in control, and clarifying uncertainties. The management can also help him by increasing the level of his participation in decisions that clearly affect how and when one does his job, or by making him aware to what other jobs he can switch over, and how gainfully he can keep himself occupied after retirement.
- g) Career planning will be made effective when it takes the form of **Fair Promotion Policy** supported by systematic training for those who are trainable, and willing and eager to learn a higher skill.
- h) **Internal publicity:** A career plan should be given wide publicity if it is to be a success. The employees for whom this plan is intended should know what it is and what are the career paths they can follow and what training and development facilities are available within and outside the organisation for preparing them for higher or added responsibilities. Here the personnel department of the organisation can play an important role giving publicity to the plan and designing suitable need-based training and development programmes for grooming employees for climbing up the career ladder.

7.9 CONCLUSION

Individual employee careers must be of concern to organisations and management, in order that human resources may be developed to meet constantly changing environmental conditions. A career is a sequence of separate but related work activities that provides continuity, order and meaning to a person's life. It is shaped by many factors, including heredity, culture, parents, age level and actual experiences in one or more organisations.

Although career planning, manpower planning and succession planning are not synonymous, they are complementary and are inter-dependent for their effective working and implementation. All the three are essential for the organisational growth and development, effective utilisation of available human resources, and optimum productivity. Manpower planning provides an inventory of the skill and potential available within an organisation and the career plan provides a picture of the succession plan.

From the needs, purposes, objectives and advantages of career planning as explained in this Unit, it appears to be a good management technique for promoting organisational growth and development, and effective utilisation of human resources, thus increasing both industrial and labour productivity. Career planning

or the development process is not so simple as it may seem. It involves many measures to be taken, such as preparation of personnel inventory, career paths or ladders and it also involves identification of fit and willing employees for career planning, the designing and implementing suitable training and developing programmes, career counselling, review and evaluation of career plans. It also has its limitations as it may not suit small organisations and may have little utility and practicability for a large number of shopfloor workers, particularly for unskilled and semi-skilled workers. In spite of these limitations and other economic, political and social constraints, as already discussed in this Unit, it is still considered useful for making man-management effective as it helps management in developing and fully utilising available managerial and supervisory talents. Career development does require proper recognition of employees' increase in experience, seniority, skill and abilities.

In India, long-term career planning may not be feasible due to rapid changes in environmental factors, but career planning for up to a decade is certainly possible. The young management trainees would like to know their prospects 5 or 10 years after recruitment.

A number of factors can make career planning a success, and among them, the most important is that of maintaining an age balance. This has to be done in all types of career plans to avoid promotion blocks. There should be fair balance between direct recruits and elder promotees to the same level. The problem of senior persons making a lateral entry from another company may also pose a problem of adjustment. A satisfactory solution of all these problems will have to be found if career planning is to operate successfully and not to be frustrated.

7.10 SELF-ASSESSMENT TEST

1. What is career planning? Is it the same as Manpower Planning or Succession Planning? If not, what are the basic differences?
2. Discuss the needs for a Career Plan, its purposes and objectives. List out its advantages for both employees and management.
3. "The process of Career Planning is not so simple as it looks". Please comment. Explain important steps and measures that it involves.
4. Are there any limitations and constraints on Career Planning? If so, please explain the same and how they can be overcome or minimised.
5. Discuss essential prerequisites for making Career Planning a success.

Answer the above questions from your memory, each covering not more than two pages, so that you may know that you have understood the points contained in the Unit.

7.11 FURTHER READINGS

- Chatterji, M.N. 1978. *Management of Personnel in Indian enterprises*, Allied Book Agency: Delhi.
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7.12 APPENDIX

Types and Methods of Training and Development

Categories of Employees	Objectives of Training	Types & Methods of Training
1 Unskilled, Semi-skilled and Skilled	Improving their existing skill, and new skills for new processes, methods and machinery.	Training mostly on the job. Training in the institute within the undertaking, or from some outside training institute, both theoretical and practical training.
2 Typist, Steno-typists, and Stenographers	Acquiring skill, speed and accuracy, or acquiring some higher skill for promotion.	Practical training from an outside institute, or on the job and in course of service.
3 Clerical and non-supervisory staff	Proper and expeditious handling of correspondence.	Training on the job, positive supervision, linking promotion with acquisition and experience and efficiency. Taking a correspondence course organised by the organisation, or by any outside institute.
4 Private Secretaries and Secretaries	Improving their usefulness for the boss, or for playing an effective role in the organisation, or for grooming for higher job.	Taking P.A. and secretarial course organised within the undertaking or from an outside organisation like YMCA, or by attending P.A. and Secretary short training courses organised by management consultants.
5 Supervisors	Improving Technical skill for handling machines and materials, or for supervising and guiding the work of their subordinates or acquiring leadership qualities or for improving their human skill for managing men, particularly acquiring knowledge and tact in handling grievances, implementation of standing orders and labour laws and making their subordinates work to achieve organisational objectives.	Supervisory training and development courses organised within the undertaking, or deputing them to attend such courses, seminars and programmes organised by outside training and management organisations, or by using reading materials. Other methods that can be used are lectures, talks, group discussions, case study, role play, job rotation and programmed learning.
6 Executives, Middle, Senior and Top level Managers	Acquiring and improving human skills, sharpening managerial skill, particularly in regard to decision-making, capability for taking responsibility and making their subordinates work effectively and in an integrated manner, maintaining discipline, and understanding themselves and others.	Methods generally used for training such personnel are lectures, talks, discussion, role play, case study, exercises, application project, in-basket training, business games, and sensitivity training.

BLOCK 3 MOTIVATION, JOB DESIGN AND APPRAISAL

In accomplishing the goals of any organisation, the manager is not working alone. He is working as a member of a team, the other members of the team being his staff. As manager of this team, he is responsible for its efficiency and effectiveness. Such management of staff involves creating conditions and motivation for staff to work effectively.

This block focuses on employee motivation, job content and the measurement of performance output. To comprehend these themes, it is necessary to study the underlying behavioural concepts as well as the physical processes and methods used in motivating and appraising employees.

The first unit in this block covers various behavioural dimensions of an individual particularly how they affect the behaviour in relation to a job. The second unit describes the alternative ways of analysing a job followed by a descriptive presentation on evaluating the job content and its relation to the employee's compensation package. The third unit presents various theories linking the behavioural patterns of an individual and his role in performing a job. Ways have been suggested, as to how an employee may be made more interested in his job by way of job enrichment. The fourth unit looks into the output dimension of an employee in the context of his job.

Several methods have been described to review the performance and how to use such appraisal for improving productivity of the organisation.

BRAOU

UNIT 8 MOTIVATION AND PRODUCTIVITY

Objectives

When you have completed this unit, you should be able to:

- list eleven important motives that influence employee behaviour
- given a list of human needs, arrange them in hierarchical fashion
- correctly evaluate statements about motivation to work

Structure

- 8.1 Introduction
- 8.2 Issues in Managing People
- 8.3 Maslow's Need Hierarchy
- 8.4 Social Needs and Productivity
- 8.5 Analysis of (Motivation) Self-test
- 8.6 Hygienes and Motivators
- 8.7 Creating Proper Motivational Climate
- 8.8 Summary
- 8.9 Key Words
- 8.10 Further Readings

BRAOU

8.1 INTRODUCTION

Productivity of any organisation or department or work unit depends upon the people who work in that unit. Given the same inputs, people can produce more if they work more thus increasing the productivity of the organisation, department or work unit. "How to make people work more or work better?" is an issue that requires an understanding of what motivates people to work (or work more or work better). Similarly it may be possible to get people to work more or work better in higher proportions with marginal increases in some inputs. This requires an understanding of 'motivation' which you will learn with the help of a few activities and concepts in this Unit.

Motivation—Self-test

Activity A

Please complete this self-test before you proceed.

A number of activities are presented below. You may like some of these and you may not like others. Please go through each item and mark those activities in which you like to be involved.

- 1 Setting difficult goals for myself
- 2 Competing with other colleagues for better performance
- 3 Doing something difficult to prove that I can do it
- 4 Doing things that would help me stand out uniquely
- 5 Taking up things with determination and working towards accomplishing them
- 6 Meeting a lot of people
- 7 Joining a social club or group
- 8 Inviting people home for tea-parties and get-togethers
- 9 Having a lot of friends
- 10 Attending parties and social activities
- 11 Getting what I deserve even if I have to fight for it
- 12 Doing something that might provoke criticism
- 13 Arguing with a superior or subordinate
- 14 Teasing some one who is conceited
- 15 Annoying people I don't like
- 16 Helping someone in trouble even if I have to go out of my way
- 17 Taking personal care of workers and their problems
- 18 Fighting for national goals
- 19 Sacrificing things for the sake of others
- 20 Consoling someone who is disturbed
- 21 Doing tasks my superiors ask me to do
- 22 Pleasing my superiors
- 23 Observing the rules and regulations outlined for me very strictly
- 24 Checking things with superiors before I make decisions
- 25 Consulting people for most of the decisions
- 26 Having workers who do whatever I ask them to do
- 27 Getting people to accept my point of view
- 28 Framing rules and regulations
- 29 Demonstrating my knowledge and sharing it with others
- 30 Controlling workers through various techniques

Directions for scoring and interpretation of your responses to this self-test are provided later in this Unit.

8.2 ISSUES IN MANAGING PEOPLE

A manager by definition is one who is involved in planning, organising, coordinating and executing the various activities of the organisation to achieve its goals and goal states. A manager is involved in managing workers, materials, processes, and their interactions. While managing materials is a function of knowledge of techniques such as planning, financial budgeting, resource allocation, PERT, CPM, etc., management of human resources requires a knowledge of the nature of human beings.

A manager or administrator is constantly interacting with people. As an administrator he is interacting with his subordinate staff in the office, allocating and supervising their work, helping them in planning work, providing guidance and counselling, and appraising their work. As an administrator he is also subordinate to some higher authority. This authority may be a board of management, a government officer, a number of officers, a school principal, a hospital superintendent, etc. Being a subordinate he is accepting the decisions of his superiors, feeding them back his problems, helping them make decisions, participating in planning, carrying on the tasks given to them and seeking their guidance from time to time. As a professional person, he is also interacting with fellow managers, specialists, scientists, etc. Thus all his interactions with different groups of people influence his administrative behaviour. In order to be an effective manager he needs to understand the dynamics of human behaviour.

He will be able to perform his tasks better if he has some insights into questions such as the following:

- Why do people behave the way they do?
- What are some of the significant things people look for in their jobs?
- How could work be designed or human interactions be monitored to provide maximum satisfaction to people and their needs?
- How can one understand the motives or needs of a particular employee?
- How can a climate be created where the maximum utilisation of human talents is possible?
- How can the staff be helped to perform to their maximum?
- How to gain the commitment of an employee?

In order to be able to manage human resources, insights into the causes of behaviour are required. A manager may come across highly devoted, involved and hard working staff, or lazy, evasive and superficial workers. He may wonder what to do about the generally less motivated staff. If he does not do anything to reward the well-motivated staff he may lose them. He may want to help and counsel staff who are having problems. Psychologists have worked out some theories to increase our understanding of human behaviour. The following are some of these observations:

Hierarchy of Human Needs

All behaviour is goal-directed. People behave the way they do because of their need to achieve certain things. These goals may deal with physiological needs, psychological needs or high order social needs.

Research has shown that human beings want things in a certain order of priority. First of all, human beings must satisfy their physiological needs like food, clothing, air, etc. Until they have enough of these, all their activities will be directed towards obtaining them.

Once they have their physiological needs satisfied to an optimal level, a second order of needs comes to the surface and directs their behaviour. These are safety and security needs. Human beings want to make sure that they will continue to have their physiological needs satisfied. They require job security and protection from any physical dangers.

Once they have an optimal level of security, a third order needs come into operation and direct behaviour. These are needs for love and belongingness. Human beings want affection from fellow-beings, often a selected few, and those in their immediate environment. Community organisations, worker organisations, professional bodies, etc. satisfy this need for belongingness.

Once the needs for love and belongingness are also satisfied, another set of needs which may be called 'high order social needs' comes to the surface and directs the behaviour of people. These needs include the needs for achievement, recognition, status, power, and influence over others. These are also called 'ego needs' or 'esteem needs'.

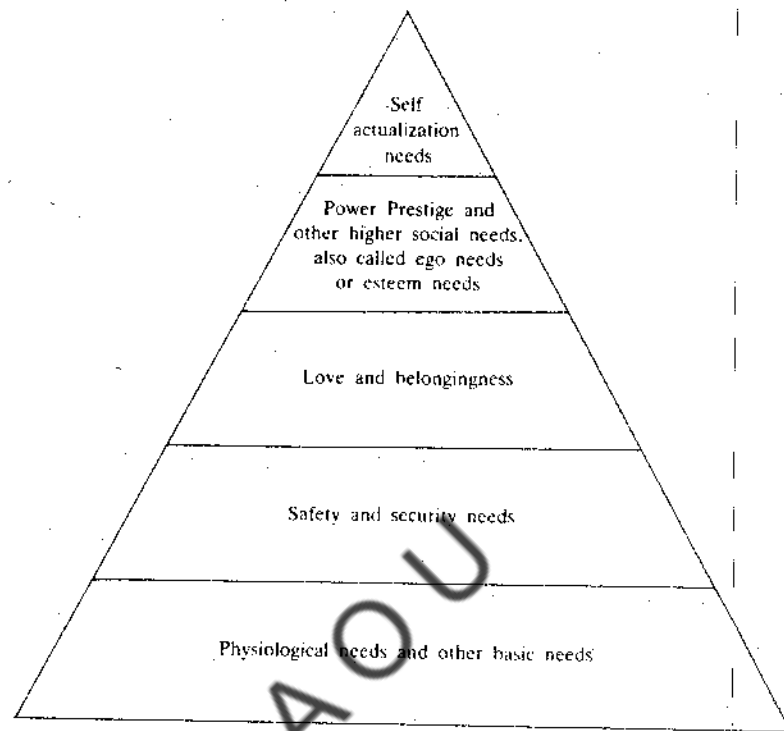
When these social needs are also satisfied, then come the needs for understanding one's own abilities and potentials and using them to the maximum. This is called the 'self-actualising need'. Most people are struggling with one or more of the needs below this order, and very few attain this highest motivational level of self-discovery and the need to exploit one's own potential.

8.3 MASLOW'S NEED HIERARCHY

Thus human motives can be organised in the form of a pyramid as shown in Figure 1. The five categories of needs shown in the figure may be somewhat oversimplified. This need hierarchy theory was first developed by Abraham Maslow. Hence it is called Maslow's Need Hierarchy. Actually, human behaviour is directed by several

needs and need combinations at any given time. While it is difficult to quantify and separate each of them, understanding them in categories like those shown in Figure I, greatly helps our conceptualisation of human needs.

Figure I. Maslow's Hierarchy of Human Needs



We can infer motives or needs from consistencies in behaviour. If a person is all the time looking for opportunities to make friends, looking for love and affection and does not miss an opportunity to attend parties, get-togethers, etc. and enjoys warmth and affection expressed by others, we may infer that he has 'affiliation need' or has a high need for affection or love and belongingness. If a person is looking constantly for opportunities where he can get a position or gain prominence, then we can infer that he has a power need or status need. Thus we make inferences on the basis of the goals the individual attempts to achieve.

However our observations about the motivation or needs of other individuals may not always be accurate as some of the motives are changing, and sometimes the goal the individual is trying to achieve may be due to more than one motive. For example a person may want to earn money not for satisfying his physiological needs but for gaining more power or recognition. Similarly a person striving for a political position may be motivated by power or by the need to serve others. Thus behaviour is complex and motives cannot be inferred with complete accuracy by observation alone. Self-assessment made by individuals helps us understand the motives or causes underlying their behaviour.

Most of the working people in our country (employed or self-employed, workers or managers) normally have their lower order needs (physiological, security and belongingness) satisfied. Their behaviour is mostly directed by the fourth order (power, prestige, status, etc.) needs. These are called 'ego needs'. Sometimes these are also called 'esteem needs' or 'social motives'. These needs are several in number. Since an understanding of these social needs helps us to understand the reasons behind motivation to work, let us deal with these social needs or motives. A few of these fourth order needs that have been found to influence work behaviour of people in different work settings is presented below in Table I. The table also presents brief explanations of these motives, followed by some indicators of the motives in human behaviour. Please go through the table carefully, and then complete Activity B.

Table I

Some Important Motives Relevant to Employee Behaviour, and the Motive Indicators

Motive	Meaning	Behaviour indicators of the motive
1 Achievement	A concern for excellence, a desire on the part of the person to do things to meet a particular standard of excellence	Persons dominated by this motive are generally active, work hard, set high goals, take challenging tasks, derive pleasure from doing difficult things and look for quality. They may have a standard in mind with which they keep comparing themselves. They dream about accomplishing tasks.
2 Affiliation	A concern for establishing or maintaining warm and affectionate relations with others	Persons with dominance of this motive want to have close relationships with people and establish emotional relationships with others. They join groups, invite people, develop attachments, feel depressed in case of separation of dear ones. Club membership, frequent social parties, and organised friendship circles are indicators of this.
3 Power	A desire to influence others and gain control over others or to be superior to others.	People with high levels of this need like to be in positions where they can lead, influence or control others. They seek opportunities for leadership. Argumentativeness, always wanting to be first, enjoying giving directions to others, etc. are indicators of this need.
4 Extension	A desire to be helpful to others, or to provide one's services to the organisation, nation or any external agent	People dominated by this motive are good social workers. They enjoy helping others and they look for opportunities where they can be of help. They join social service organisations and probably maintain good interpersonal relations.
5 Aggression	A need to dominate others and to demonstrate one's own strength, at times even physically	People having this need are argumentative, talk loud, they may get into physical fights and want always to win or show their strength.
6 Dependence	A need to consult others before making any decision. This may arise out of feelings of insecurity	People dominated by this need will always look for directions from others, cannot make any independent decisions, want to be protected by someone and lack initiative.
7 Independence	Opposite of dependence, a desire to do things individually and to be one's own self	People dominated by this need like to make decisions on their own without seeking any one's approval, they prefer to have freedom and dislike interference from outsiders including superiors. They may consult others, but do not seek approval.
8 Security	A need to be secure about one's own living and to be sure one continues to have it	People dominated by this need generally express it by their frustration at lack of job security, economic security, etc. They may grumble about the job, may save money for the future, etc. This is a very important need and if many employees have this as a high need, the organisation policies may be worth looking at.
9 Status and Prestige	A desire to be respected and treated with deference specially by others in the social environment	People high in this need would not violate social norms or would do so only when they get recognition positively. They run for offices, they like to show authoritarian tendencies when they work with others. They may be categorising people into status groups and interacting with them selectively and differentially.
10 Recognition	A need to be recognised for one's accomplishments	People with this need work hard but lose their motivation completely if their work is not recognised immediately. They try to make their presence felt and strive to get attention. This is another basic need in all of us.
11 Activity	A desire to be constantly doing things	This kind of person is always active, a hard worker and is constantly engaged in some activity. The opposite of this is passivity which is also a need to relax and not be disturbed.

Of the eleven needs mentioned above, the 'security' need (no. 8) and the 'affiliation' need (no. 2) fall in the second and third order of Maslow's hierarchy of needs. The rest are higher order social needs.

Activity B

Some descriptions of the behaviour of some individuals are presented in column 1 below. Column 2 lists the possible motives that are indicated by the behaviours in column 1. Enter the correct motive level from column 2 against each set of behaviours in column 1.

Behaviour descriptions	Motives
1	2
1 Mr. M involves himself in very few activities. Whatever he does, he does it exceedingly well. He is always the first to arrive at the office. As a school boy also he always strived to be first. (Motive is _____)	(a) Aggression
2 Mr. N likes friends. Whenever he has time he likes to visit friends. In the office he has a group of people round him during lunch hours and tea breaks. It is rare to see him alone while coming to or leaving the office. He is always with someone. (Motive is _____)	(b) Security
3 Mr O is a fighter. There is hardly any one in the office who has not been hurt by his comments. Sometimes in the villages he has visited, he has been involved in physical fights. (Motive is _____)	(c) Activity
4 Recently Mr P is very depressed. His productivity is coming down. He is always worried about the future of his children. He is 35 years old with three children. He is looking for a permanent job. (Motive is _____)	(d) Independence
5 Mr Q loves music. He works in a family planning organisation. He brings his transistor radio to the office to listen to music during leisure hours and breaks. He has been insisting that the best way to disseminate family planning education is through audio-visual aids and particularly through movies. He has recently organised a series of dance programs in his family planning campaigns. He is a very active person. He is doing something or the other all the time. In the office he never relaxes. (Motive is _____)	(e) Extension
6 Mr. R is considered a leader in the village where he lives. He is there to help any family in trouble. People keep consulting him. He also takes the needy to hospital, reads and writes letters for them, discusses political affairs and so on. He is also considered a leader in the organisation. He does more than what his job demands. (Motive is _____)	(f) Affiliation
7 Mr S is argumentative. His standard response to any direction by his boss is "What is the use of this?" or "Can you give me more information?" He likes to explore and discover many things before he does anything. His superiors are getting fed up with him because he tries to act like their boss. (Motive is _____)	(g) Achievement
8 Mr T likes to argue. But he is willing to listen. In meetings he puts forth his points clearly. His points are considered most influential and he has a knack of getting others do whatever he wants them to. (Motive is _____)	(h) Power

Answers 1-g; 2-f; 3-a; 4-b; 5-e; 6-h; 7-d; 8-c

8.4 SOCIAL NEEDS AND PRODUCTIVITY

The social needs influence the work behaviour of people. If the security need is not met, the individual attempts to do things that meet his security needs. In some cases security is attempted to be achieved by working hard or working better. In other cases, it is attempted by efforts to make fast money. In some other cases it is attempted by forming unions and associations. The activity which leads to the satisfaction of 'security need' will depend on the kind of environment (social, political, industrial, etc.) existing in that organisation, city or country. Normally, attempts to work better out of need for security is a short-lived hard work. Once the person gets security he may tend to relax or may become less hard working. Hence it is desirable to get people to work hard or work better through higher order social needs which are more lasting or by letting them enjoy the work itself.

The same rationale holds good for affiliation. People having a high need for affiliation work well if such work satisfies their desire to get love and affection from others they value. The moment their affiliation need is satisfied or changes, their work pattern may change. It is not desirable to have too many employees in an organisation who work hard for fulfilling mainly their affiliative needs. However, affiliation needs as driving forces behind hard work or quality work cannot be completely ignored. It is possible to design a warm and affiliative work environment which may stimulate people to work and there is nothing wrong in doing such a thing. In fact every work place should fulfil affiliative needs to some minimal degree.

A need for achievement is desirable for every employee. Organisations that promote achievement motivation in employees tend to do well. Such achievement needs can be satisfied by giving autonomy to employees to some degree, recognising and rewarding employee accomplishments. People dominated by this need tend to be entrepreneurs. A high need for activity is also desirable for a higher productivity in organisations.

High need for 'extension' in employees helps social service organisations, government departments and voluntary organisations to be more productive. A high need for power and influence combined with extension helps senior managers and chief executives to be more effective. A high need for independence helps a person to be an entrepreneur. Needs of dependence, control, status, etc. do not help a person to grow or may tend to channelise the energies of an employee in less productive directions. The usefulness of 'motive combinations' depends on the nature of the task, the climate of the organisation and a variety of other variables. The analysis given above is only indicative of the way in which different motives tend to operate. Human behaviour and productivity of work units are much more complex phenomena and cannot easily be explained by a few principles of motivation. However, some minimal understanding may help individuals and organisations to control, influence and direct human behaviour in more productive directions.

8.5 ANALYSIS OF (MOTIVATION) SELF-TEST

In the self-test you took at the beginning of this unit (Activity A), six motives were included: achievement, power, affiliation, dependence, extension and aggression. Each group of five items measures one motive. The first five items (1 to 5) deal with achievement, the next five items (6 to 10) with affiliation, followed by aggression (items 11 to 15), extension (items 16 to 20), dependence (items 21 to 25) and control (items 26 to 30). The number of items you checked out of five gives your score on that motive. For example, if you have checked all the items from 1 to 5 you get a score of 5 indicating that you have a high achievement need. If you have checked only one or two items, then you get scores of 1 or 2, indicating a low level of achievement need. Similar interpretations may be given to other motives. You may like to plot your motive profile below on the basis of your self-test.

Your Motive Profile

		Achievement (items 1-5)	Affiliation (items 6-10)	Extension (items 11-15)	Dependency (items 16-20)	Control (items 21-25)	Aggression (items 26-30)
Very high	5	—	—	—	—	—	—
High	4	—	—	—	—	—	—
Moderate	3	—	—	—	—	—	—
Low	2	—	—	—	—	—	—
Very Low	1	—	—	—	—	—	—

Interpret Your Motive Profile

You may like to reflect upon the implications of this motive profile for you as a manager. A few comments are made below to help you reflect on your motive profile.

High scores on Achievement and Extension are desirable for your own effectiveness and the good of your organisation. A high score on extension is a welcome thing if you are in any service department or your work involves serving others. The achievement motive is good if you are a manager or executive.

A moderate degree of affiliation may be good but too much of it may indicate your tendency to value relationships more than tasks or work.

A high dependency need or control need may be indicative of your preference for rules, regulations and control. These can have both positive and negative effects. You may reflect on these.

Your scores on the self-test are only crude indicators of your motives. The self-test was meant to be used as a stimulant for your reflection and understanding about human motivation. You are not to take the scores as conclusive. Motives are complex and cannot be measured accurately with short instruments like the self-test given earlier. The test is meant only to give you a feel of how different motives operate.

8.6 HYGIENES AND MOTIVATORS

Some people argue that productivity of an employee depends on his job-satisfaction and productivity of organisations or their work units can be raised by improving the job-satisfaction of employees. Unfortunately the relationship between job-satisfaction and productivity is not that simple. It is possible to have highly satisfied workers not giving their best to an organisation. This happens when they are not highly motivated to work. Absence of dissatisfaction or presence of job-satisfaction does not mean presence of work motivation. A behavioural scientist by name Herzberg differentiated these factors.

Both work-motivation and job-satisfaction are dimensions that influence the productivity of any employee. Some factors in the work environment that contribute to job-satisfaction do not necessarily ensure motivation.

Research has shown that adequate salary, good working conditions, job security, physical facilities, good human relations and the quality of supervision all contribute

to the job-satisfaction of employees. Factors such as recognition of work done, status, opportunity for growth, nature of work, responsibility and challenge of the task have been found to play an important role in creating a motivation to work on the part of employees. The first set of factors that prevent job dissatisfaction have been called 'Hygienes'. The second set of factors are called 'Motivators'. Both sets need to be considered in order to improve employee productivity.

'Hygiene' factors are essential for people to work but 'motivators' play an important role in helping people to work more and better. The top managers in organisations as well as personnel and Human Resource Development (HRD) departments should understand the distinction between the two. Every supervisor in all types of organisations should understand this distinction. This will help them to create conditions for work-motivation.

8.7 CREATING PROPER MOTIVATIONAL CLIMATE

While it may be too ambitious for a manager to aim at creating conditions that help people reach 'self-actualisation level', a manager will do well in creating conditions that keep people away from frustrating experiences and keep them constantly striving to put forth their best.

The following are some dimensions on which the managers can work:

Create conditions where workers' energies are not expended totally in meeting their basic needs.

If workers are worried about their salaries, housing, safety with the work they are doing, job-security, etc., much energy will be wasted in their efforts to ensure these things. If they do not have job-security, they may be trying to organise themselves to ensure security. If they cannot organise, their mental energies may be spent in thinking about the poor conditions in which they are living. If the manager cannot help in these matters, at least he can be sympathetic to workers and do the little he can in his capacity. There are examples of managers who work in extremely frustrating conditions but make their workers feel happy and at home.

Create a climate for inter-dependent work rather than dependency

Some managers are so creative and skilful that every worker looks up to them for advice and constant guidance. Such managers may not be allowing their workers to do anything on their own. If the manager expects every worker to check with him and get his approval before doing anything, then he is creating a climate of dependency. In such a climate, workers do only what they are asked to do by their boss, and will not do anything on their own initiative. When problems arise, they look to their boss to solve them. When something goes wrong, workers may not accept responsibility and will refuse to learn from experience, because they have not acted on their own but on the advice of their boss. Thus, the manager is burdened with responsibilities and constant problem-solving. He is wasting not only his own energies but also those of his subordinates. Paternalistic behaviour creates dependency in subordinates and stifles their creativity and sense of responsibility.

An effective manager encourages people to work independently or in a team interdependently. He does not interfere unless it becomes very necessary. He trusts workers and gives them freedom to plan out their own strategies for doing things. He lets them solve the problems they face on their own. He only provides guidance when needed. By creating a climate of interdependence and team work he also helps them satisfy their social needs for belonging, affection and security.

Create a competitive climate through recognition of good work

Workers look to be rewarded for good and innovative work. Rewards may not always be in financial terms. Even a word of appreciation has great motivating value, although indiscriminate appreciation is valueless.

The manager should acknowledge the contributions of workers in many ways. Many managers limit their appreciation to annual appraisal reports, but there are many other possible ways. Praising before other workers, giving increased responsibilities etc. are

some of the mechanisms that can be used. Such recognition and public acknowledgements help workers to value their work, deriving a sense of satisfaction and feeling of importance from it. This goes a long way in motivating them to work harder, and creates a sense of competition in them.

Create a productive climate through personal example

Managers themselves need to be motivated and hard-working. Workers are constantly looking to their boss to set an example. They tend to imitate him, and his style may percolate down the hierarchy. If he is authoritarian and non-trusting, his next-level workers may attempt to be like him too, ultimately creating a climate of suspicion in the organisation.

Create a climate of approach and problem-solving rather than avoidance

Managers can be divided into two types: approaching managers and avoiding managers. The approaching manager is one who approaches problems with confidence, faces them, and works out ways to overcome them with the help of others. His operating style is to face issues and constantly struggle to overcome them. Satisfaction is derived from the struggle itself even if the outcomes are not always positive. The avoiding manager sees everything as a headache. His style is to postpone problems or to delegate them to somebody else. Workers are quick in imitating this style. Approach-oriented managers do well because their workers also develop this style of facing problems. Managers should attempt to encourage their workers to be problem-solvers rather than avoiders. A manager who cannot take responsibility himself also cannot let his subordinates take responsibility. Unfortunately, no work gets done unless people accept responsibility and do it.

Motivate individually through guidance and counselling

The above discussion points out some general strategies the manager can use in creating a proper motivational climate. Besides creating a climate for work, a good manager needs to be a counsellor of workers. He has to interact with different workers who have different need patterns. He may encounter very efficient workers, poor workers, problem-creators, and all kinds of individuals. He has to be sensitive to these individual differences and work accordingly with them.

8.8 SUMMARY

The productive output of an individual in relation to a job is primarily determined by his motivational structure. This structure itself is based on various types of needs which are constantly changing. Therefore the key to higher productivity lies in creating a proper motivational climate, wherein the employee seems to be denying satisfaction by doing a job.

8.9 KEY WORDS

Motivate: To ensure that people carry out effectively and willingly the tasks assigned to them by providing them with reasons for behaving in certain ways.

Needs: The positive driving forces which impel a person towards certain objectives or conditions.

8.10 FURTHER READINGS

Hersey, P. and Blanchard, K. H.: 1983. *Management of Organisational Behaviour*, Prentice Hall of India: New Delhi.

Davis, K. 1981. *Human Behaviour at Work*, Tata McGraw Hill: New Delhi.

UNIT 9 JOB DESCRIPTION, ANALYSIS AND EVALUATION

Objectives

When you have completed this unit, you should be able to:

- define the concepts of job analysis, job description and job evaluation
- identify the process of job analysis
- identify the steps of job description
- use the techniques of job evaluation

Structure

- 9.1 Introduction
- 9.2 The Meaning of Job Description, Job Analysis and Evaluation
- 9.3 The Process of Job Analysis
- 9.4 Job Description
- 9.5 Job Evaluation
- 9.6 Summary
- 9.7 Self-assessment Test
- 9.8 Key Words
- 9.9 Further Readings

9.1 INTRODUCTION

We presume that you are doing this course primarily to increase your knowledge about modern management concepts and techniques. This understanding should, undoubtedly, improve your skills as a manager, especially as a manager of men. You will also agree with us that an effective manager is one who is able to handle his people efficiently. In order to be a good manager of men, it is necessary that one should have adequate understanding of the jobs assigned to him. In this unit, we shall be dealing with the concepts and techniques of job analysis, job description and job evaluation.

9.2 THE MEANING OF JOB DESCRIPTION, ANALYSIS AND EVALUATION

The three terms of job description, job analysis, and job evaluation, are closely related to each other.

Job Description

Job description is a broad statement of the purpose, duties and responsibilities of a job or position. A job description should be based on a detailed job analysis.

Job Analysis

Job analysis refers to the process of examining a job to identify its component parts and circumstances in which it is performed. The central concern for you as a job analyst should be to treat jobs as units of organisation. Job analysis viewed thus will act as a tool which provides the informational base for a wide range of organisational and managerial functions. Job analysis, in this sense, should be purposeful and performed professionally as an ongoing organisational activity. The purpose is to gather, analyse and utilise information about jobs. This information is extremely valuable to make decisions relating to organisational planning and design, recruitment and selection of personnel, their training, appraisal and development and other managerial functions. Job analysis is the foundation for job evaluation.

Job Evaluation

Job evaluation is a comparative process. It allows you to compare jobs by using common criteria to define the relationship of one job to another. This comparative relationship enables you to grade the jobs in a hierarchy for the purpose of developing appropriate organisation designs and adequate pay structures. We shall come back to job evaluation after we have developed familiarity with job description and job analysis.

9.3 THE PROCESS OF JOB ANALYSIS

We are looking at job analysis as having potential for serving the information needs of a wide range of managerial functions.

Scope of Job Analysis

It is important to decide the scope of job analysis in your own organisation. The first aspect of this task is to decide as to which jobs are to be included in the analysis. Given the standpoint we have taken here, all jobs should be included and constantly examined. At the manual or unskilled worker's level, the job analysis consists of a simple description of actions taken in order to complete the job. In this case, a plain narrative statement would serve the purpose of job analysis. But, as one moves up in the hierarchy of the organisation, and as the complexity of the jobs increases, your job ceases to be self-explanatory. The role of the clerk, for example, his place in the organisation and the implications of his work and its effects on others, both alongside, above and below his are not self-evident. All this requires to be clearly put down. At a higher or managerial level, the issues become more complex and hence the need for job analysis is definitely greater.

A second and perhaps more complex aspect of this task is to decide the types of information to be gathered by you as a job analyst. As traditionally practised, job analysis has focused on the formal, the rational and the prescribed behaviours and outcomes. However, we know that formal arrangements are only one aspect of the organisational realities. Your own experience as a manager would corroborate the fact that work gets done through a dynamic process of interaction between formal and informal behaviours, customs, norms and practices. Moreover, the actual results obtained may not always conform to official plans and expectations. Thus, for example, it is customary in many organisations for secretaries to serve coffee. This practice is an expectation which may not be mentioned in the formal list of duties. Workers very often develop personalised ways of operating machines. Official rules are sometimes ignored, thus changing the "real" job.

Kindly undertake an activity at this stage to take two or three situations you are familiar with, in your experience and list the formally stated duties and the actually performed ones.

Activity A

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As you have clearly learnt from the exercise undertaken by you, a blind reporting of the formal and the expected leads to the danger of providing incomplete and at times misleading pictures of the reality. Extending job analysis to include the informal, the unanticipated and the hidden (latent) would yield two benefits. First, it adds to the

validity of the resulting descriptions. Second, it should elevate your role as an analyst. Instead of being a passive recorder of official intents, you as a job analyst can collaborate with the industrial engineers, the OD agent, and the other personnel professionals in tracking down the realities and bringing about changes.

You as a Job Analyst

As a job analyst, you are going to study the jobs which are found within organisations. Hence, you should have a good grasp of the nature and functions of modern organisations. You should be able to study the interaction among cultural, technological, and behavioural variables that shape jobs and their outcomes within organisational situations. Usually, you would be required to do this at a very short notice.

As an analyst, you would need to relate to persons at all levels, from the assembly line operator to the senior professionals. In order to be able to gather data and interpret them systematically, you should have the knowledge of the existing data collection methods and statistical tools.

Collection of Information

A variety of methods are available to you for gathering job information. The method that was historically linked to the concept of job analysis was observation supplemented by the interview. In recent years, questionnaires, diaries, self-reports by employees and check-lists have been experimented with different degrees of success.

i) Observation

By observing the actual working situation, you should describe the routines, procedures or approaches used by the job holder. Identification of the input, processing and the output involving relationships with other individuals or departments will reveal overlaps and grey areas. To collect data by the method of observation, you will need to develop a special kind of ability to identify paths of activity and the purposes for which they have been provided. Very often the person doing the job may not be familiar with the reasons. You have to be more skilful in collecting data about jobs with a high degree of discretion or decision content, because in such cases there is a near total absence of routine and each situation has its own special aspects.

While using the method of observation, you should take the help of a check-list which should contain the following items: job title, number of people involved, the input of work, its source and its form, the process for distinguishing between routine and occasional tasks, points of decisions and considerations available, responsibility for and to others, lines of communication and reasons for using them, equipment and facilities available and their utilisation, the output of work, its form, destination and standards. It will be important to distinguish between factors of the work which, if unsatisfactory, would lead to extreme dissatisfaction, and factors of the work which if improved, would lead to extreme satisfaction.

This process of observing and inquiring will produce much information and it will additionally indicate areas for further inquiry or analysis in greater depth, perhaps by different methods or different people. Observation however, as you may have discovered, is a very time consuming method, and perhaps that is its greatest handicap.

ii) Interviewing

To know the full extent of a job you, as a job analyst, will find it necessary to interview job holders, and to check the findings with their superiors. Through the interview you should aim to obtain all the relevant facts about the job. You should take special care to cover the following areas:

- the title of the job holder
- the title of the job holder's superior
- the job titles and numbers of staff reporting to the job holder
(This information can best be recorded by means of an organisation chart.)
- a brief description of the overall role or purpose of a job

This deals straightaway with the question of why the job exists at all. It is a fundamental question and is not always clearly understood by the job holder. You will find that it is not easy to separate purpose from a description of activities, but it is important for you to do so as a job analyst.

The intermediate line manager in a production unit, for example, might be described as supervising a group of foremen. It would be wrong on your part to describe this as the purpose of his job. The purpose should show the necessity for this work, for example, to act as an intermediate and co-ordinating link in the management chain, so that the works manager can adequately control the whole operation of the factory through a team of a manageable size.

The examination of purpose is especially important in the "assistant" and "deputy" category. It should be clear to you as a job analyst whether the job is there to provide a niche for a successor, to help out an overworked chief or to provide that a *primus inter pares* (first among equals) of his subordinates is available to deputise in the chief's absence.

The next item should contain a list of the main tasks or duties that the job holder has to carry out. It should be a brief description of the responsibilities under broad headings. In the long run, accountability which is the main factor in an analysis stems from the broad field of responsibility. At this stage you should also establish the place of the job holder in the hierarchy. A brief reference to the roles of his lateral and subordinate colleagues can help to establish overlap, points of contiguity and management span. You should also attempt to get information on the following aspects:

- the amount of supervision received and the degree of discretion allowed in making decisions
- the typical problems to be solved and the amount of guidance available when solving the problems
- the relative difficulty of the tasks to be performed
- the qualifications and skills required to carry out the work

To achieve the maximum, the following guidelines will help you as a job analyst:

- Work out a logical sequence of questions which will help the interviewee to arrange his thoughts about the job.
- Pin people down on what they actually do. Answers to questions are often vague and information is given by means of untypical instances.
- Ensure that the job holder is not allowed to get away with vague or inflated descriptions of his work. He will know that the interview is a part of the job evaluation exercise.
- Sort out the actual facts and information from the irrelevant data.
- Obtain a clear statement from the job holder about his authority to make decisions and the amount of guidance he receives from his superior. This is not easy. If asked what decisions they are authorised to make most people look blank because they think about their jobs in terms of duties and tasks rather than abstract decisions.
- Avoid asking leading questions which make the expected answer obvious.
- Allow the job holder ample opportunity to talk by creating an atmosphere of trust and confidence.

III) Questionnaire

This method is desirable especially in two situations.

First, where several people are doing the same type of job and to interview them all may be impracticable, but it may be necessary to seek different interpretations or confirmations which can be accomplished by asking different people the same question in writing. Second, it may be desirable to explore special aspects of a task more carefully with enough time to think or then respond in writing.

The questionnaire should attempt to obtain all the relevant facts about the job, covering all the areas listed above in the section on interviews.

Activity B

Prepare a questionnaire to analyse a clerical job. Refer back to the section while structuring your questions.

4 Sources of Information

Various sources are available to call out the correct and complete information on jobs.

i) Director or Departmental Head

He will be more concerned with the total situation than the elements in it. A picture of the total situation is, however, very desirable and you should have this in mind when framing your questions and your approach to the detailed investigation. In situations for example, where delegation is either misunderstood or rejected, opportunities to introduce and discuss it can be developed.

Many of you who undertake job analysis will find yourselves discussing jobs and as a consequence, discussing your organisation for the first time. The departmental head concerned may find it necessary to analyse his own job before he can discuss the total situation. In the process some surprising information may be revealed.

It will be useless to attempt to analyse jobs which are disorganised or out of control unless the operation is intended to reveal or illustrate such a state of affairs. Nevertheless, situations which are thought to be organised and controlled will soon be exposed if they are not, and the unintentional by-product of the exercise will be worthwhile.

ii) The Supervisor

The supervisor who is also a member of the management team is closer to the mechanics of jobs and systems than the line manager. It is reasonable to expect him to know what the people in his section are doing. To involve the supervisor in seeking information about jobs will be a real help to both himself and you as an analyst in precisely understanding what is being done and how it is being done.

iii) The Job-Holder

The person doing the job is the most important source of information about the job. However, it will be extremely important for you to establish understanding and appreciation of the reasons for undertaking the exercise of job analysis. You should be able to explain to him the purpose and benefits of job analysis before you begin to ask him questions about the job.

The amount of information to be gained from a cooperative employee is tremendous and he will often reveal things that were never previously known, problem areas that never rise to the surface and human relationships that cannot be allowed to develop or continue to exist. Very often you may be surprised to find how little resemblance there is between the job as it is being done and how they think it is being done.

iv) The Leaving Interview

This is a much neglected source of information. It is a situation full of promise as a fact revealer and should be treated as an opportunity not to be missed. If handled properly, you can learn a great deal from a person leaving the job. His views about what a job is, what is going on, what are the personal relationships, what is the workers' view of the management and what sort of improvement would be useful to improve and clarify jobs would be very useful to you.

9.4 JOB DESCRIPTION

A primary output or result of job analysis is a job description. In fact it must be clear to you by now that the primary focus of job analysis was the description of the job itself. The underlying concern here should be with describing the job as a unit within larger networks of activities, processes, statuses and roles.

A complete job description should rightly contain three categories of information: job missions and location; the work performed; and the context in which the action takes place. While writing a job description you should be as brief, factual and precise as possible. It will be helpful to you to follow some guidelines while writing a job description. The headings under which job description should be written and notes for guidance on completing each section are given below:

Job Title: The existing or proposed job title should indicate as clearly as possible the function in which the job is carried out and the level of the job within that function. The use of terms such as "manager", "assistant manager" or "senior" to describe job levels should be reasonably consistent between functions with regard to gradings of the job. However, this does not mean that all posts described, say, as manager, should be in the same grade. It is quite possible for someone described as a manager in one function to have a less responsible job than a manager in another function.

Reporting To: The job title of the manager or supervisor to whom the job holder is directly responsible should be given under this heading. No attempt should be made to indicate here any functional relationships the job holder might have to other managers.

Reporting To Him: The job titles of all the posts directly reporting to the job holder should be given under this heading. Again, no attempt should be made here to indicate any functional relations that might exist between the job holder and other staff.

Overall Responsibilities: This section should describe as concisely as possible the overall purpose of the job. The aim should be to convey in no more than two or three sentences a broad picture of the job which will clearly identify it from other jobs and establish the role of the job holder, and the contribution he should make towards achieving the objectives of the company and his own function or unit.

No attempt should be made to describe the activities carried out under this heading; however, the overall summary should lead naturally to the analysis of activities in the next section. When preparing the job description, it is always better to defer writing down the definition of overall responsibilities until the activities have been analysed and described.

Main Tasks: It will be useful for you to follow the steps given below while defining the main tasks of the job:

- 1 Identify and list the tasks that have to be carried out. No attempt should be made to describe how they are carried out; but some indication should be given of the purpose or objectives of each task.
- 2 Analyse the initial list of tasks and, as far as possible, simplify the list by grouping related tasks together so that no more than about seven or eight main activity areas remain.
- 3 Decide on the order in which tasks should be described. The alternatives include:
 - frequency with which they are carried out (continually, hourly, daily, weekly, monthly, intermittently)
 - chronological order
 - order of importance
 - the main processes of management that are carried out; for example, setting objectives, planning, organising, coordinating, directing and motivating staff and controlling
- 4 Describe each main task separately in short numbered paragraphs. No more than one or two sentences should be used for the description, but, if necessary, any

separate tasks carried out within the task should be tabulated under the overall description of the activity. A typical sentence describing a task should:

- Start with an active verb to eliminate all unnecessary wording. Use verbs which express the actual responsibility: to recommend, to do, to ensure, to collaborate with someone, to prepare, complete, recommend, to supervise, to liaise.
- State what is done as succinctly as possible.
- State why it is done: this indicates the purpose of the job and gives a lead to setting targets or performance standards.

5 Amplify with appropriate examples and details of any quantitative measures of the amount of work involved. The frequency with which the work is carried out, the point of time at which it can be estimated and the proportion of time involved should also be stated whenever possible.

6 Group related tasks should come under prescriptive headings to enable a quick appreciation of the range of activities. For example, all the work a manager does in connection with manpower and facilities planning could be placed under the heading "planning"

Factor Analysis

The final step is to analyse the job in terms of the factors that will be used to evaluate it. For example, in an analytical scheme, the factors and the points to be covered under each heading may be any of those listed below:

- total number of staff analysed into managerial, higher grade and other staff
- annual budget
- value of assets
- floor space
- turnover
- throughput

Decisions: The job should be analysed and described in the following terms:

- 1 The amount of authority the job holder has for making decisions.
- 2 The importance of decisions with regard to their impact on the results achieved by the company and function or unit.
- 3 The difficulty in making decisions taking into account:
 - the amount of guidance received from superiors
 - the existence of clearly defined procedures or precedents
 - the problems in obtaining the information required in making decisions
 - the problems in forecasting the outcome of decisions
- 4 The extent to which originality or creativity is required in solving problems or making decisions.
- 5 The time-span over which the decisions are made, i.e. the length of time that will elapse between making a decision and obtaining information about the results achieved.

Complexity: The complexity of the job should be analysed in the following terms:

- 1 The number of units, functions, or separate management positions, directly controlled by the job holder.
- 2 The variety of tasks that have to be carried out or problems that have to be solved.

As far as possible, supporting details should be given to indicate the degree of complexity.

Knowledge and Skills: The knowledge and skills required by the job holder should be analysed as:

- professional or technical aspects of the work
- man management
- administration
- commercial activities
- contacts with other people
- communications, written or spoken
- the analytical requirements of the work

Where appropriate you should indicate the level of professional or technical skill required or the type of experience or training needed to meet the demands of the job.

You should be aware of the danger of the subjective element in the exercise of job analysis and description. Unless carefully watched, job descriptions can easily boil down to what is supposed to be happening or what people think is happening rather than what really is happening. An analysis based on doubtful facts cannot be reliable.

A carefully completed job description should serve as an inventory of systematically gathered information about a job. It is to be used for deriving a number of outputs aimed at the users of job information. A properly undertaken job analysis and carefully completed job description will give you job specifications. They are by nature prescriptive. The specialists will eventually be interested in specifics. Thus, recruiters need to know in fairly precise terms the educational experience and skill requirements of the job when making hiring decisions. Supervisors need to have clearly defined standards in order to appraise performance. Career counsellors need precise descriptions of mobility paths in order to guide people in their jobs. Job analysis is also the fundamental prerequisite of job evaluation.

Activity C

Write out a job description of your present job, with the help of the guidelines provided in this section.

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9.5 JOB EVALUATION

Job evaluation is the process of establishing the value of jobs in a job hierarchy. Job values may be determined by negotiation or fixed on the basis of broad assumptions about market rates and internal relativities. Job evaluation is a comparative process. Through the process of job evaluation you will be able to compare jobs by using common criteria to define the relationship of one job to another. This gives us the basis for grading jobs and developing a pay structure. At the same time we must remember that job evaluation is about relationships, and not absolutes. Therefore, job evaluation cannot be the sole determining factor for deciding pay structures. Jobs

have intrinsic value—the labourer is worthy of his hire. Still, it is not possible for us to determine what that value is in monetary terms unless we take into account the pressure of supply and demand, and internal differentials and feelings about equity, in that order.

Factors Affecting Job Values

The main factors affecting job values are, market rates, negotiated pay scales and internal relativities and feelings about equity in that order.

i) Market rates

It can be said that a job is worth what the market says it is worth. You will have difficulty in obtaining or retaining people if their rates of pay are not kept in line with those prevailing in the local and national labour markets from which you recruit your employees.

It may not be possible to compare the rates for specialised jobs within the company with those paid elsewhere. In these cases the rates will be governed more by internal than external comparisons. Market rates provide data on differentials between jobs as well as actual level of pay.

ii) Negotiated pay scales

Clearly, many pay structures are built around pay scales negotiated either at plant level or national level. The negotiated rates will be influenced by market rates, the relative strength of employers and unions, the economic situation, legislation, and government anti-inflationary pay regulations. You will often pay more than the local or nationally negotiated minimum just to keep ahead of market rates or in response to union pressures.

iii) Internal relativities and equity

Pay structures are expected to reflect differences in the relative skill and responsibility of jobs. They should aim to achieve equity in the sense that individuals should feel that their rewards are in balance both with their own output in the shape of effort, skill and contribution, and with the rewards received by others in relation to their output. Equity, in other words, is the feeling that justice and fairness are only achieved when equal pay is received for equal work, when pay differentials can be related to finite differences in degrees of responsibility, and when pay matches individual capacity and the level of work carried out.

In general terms job evaluation is used to create two dimensions of relationships. The first is the vertical relationship within a sector of an organisation where the basic skill is similar. Here the order of seniority may be obvious, but the spacing of the rungs on the seniority ladder needs to be established. How much more, for example, should the no. 1 accountant be paid than the no. 2? The second dimension is the lateral relationship between jobs of a different nature. For example, how should one relate the values of similar jobs between the personnel and finance departments?

Job evaluation is therefore basically the attempt to find a measure by which the relative payments made to different jobs are internally consistent.

Methods of Job Evaluation

Several techniques are available for job evaluation.

i) Ranking

The simplest form of job evaluation is job ranking. While using this technique your aim should be to judge each job as a whole and determine its relative place in a hierarchy by comparing one job with another. You can do this by arranging them in order of importance. The jobs may be compared by referring to a single criterion. This could be a responsibility which may be defined as the particular obligations that have to be assumed by any person who carries out the job; or skill which may be defined as what the worker is required to do in terms of applying knowledge and experience to the completion of tasks.

In using the ranking method, you may also consider several facets of the job, for example:

- decisions—difficulty, judgment required
- complexity—range of tasks to be carried out or skills to be used
- knowledge and skills—what the job holder is required to know and be able to do
- physical effort required to carry out the job

While applying this technique you may follow the procedure given below:

- 1 Analyse and describe the jobs, bringing out those aspects which are to be used for purposes of comparison.
- 2 Identify key or bench-mark jobs: the most and least important jobs, a job midway between the two extremes, and others at the higher or lower intermediate points.
- 3 Rank the other jobs around the bench-mark jobs until all jobs are placed in their rank order of importance.
- 4 Divide the ranked jobs into grades by grouping jobs together with common features such as similar duties, skills or training requirements. In effect, this means that the grades are now defined by the jobs that have been placed in them. In future, new jobs can be graded or existing jobs regraded with reference to the established gradings on a job-to-job basis.

It is advisable to use the statistical technique of paired comparisons. The assumption is that it is always easier to compare one job with another than to consider a number of jobs and attempt to build up a rank order by multiple comparisons. While using the technique of paired comparison you must compare each job separately with every other job. If a job is considered to be more important than the one with which it is being compared, it receives two points; if it is thought to be equally important, it receives one point; and if it is regarded as less important, it receives no point. A matrix can be built showing the scores for each job against all other jobs being ranked. You can then total the scores as shown below:

Job	A	B	C	D	E	Total Score
A	—	0	0	1	2	3
B	2	—	0	2	2	6
C	2	2	—	2	2	8
D	1	0	0	—	1	2
E	0	0	0	1	—	1

In this example, Job A is compared with Jobs B to E. It is considered to be less important than Jobs B and C and received no points in both cases; equally important to Job D and received one point; and more important than Job E and received two points. The total score is three. The same procedure is adopted for Jobs B to E. The higher the score the higher the rank.

The main disadvantage of the ranking method is that there are no definite standards of judgment and there is no way of measuring the differences between jobs.

Activity D

Take five non-executive jobs in your organisation and rank them using the technique of paired comparisons.

ii) Job Classification

In the job classification system you must start off with a definition of the number and characteristics of the grades into which the jobs will be placed. Given below are the steps you must follow to introduce a job classification scheme:

- 1 Select a representative sample of bench-mark jobs covering all the occupations to be included in the scheme.
- 2 Analyse the jobs and prepare job descriptions.
- 3 Decide on the number of grades required. This will depend on the range of responsibility or skills in the jobs to be covered by the scheme. For manual workers it is not likely to be more than six to eight, and the clerical staff in most firms can be grouped

into four to six grades. The number of managerial grades will vary according to the size of the firm and the level of salaries at the top. There could be any number of grades depending on a number of considerations including the width of the salary brackets, which are discussed in the unit on Salary Administration.

- 4 Define each grade in terms of discernible differences in skill and responsibility. The lowest grade, for example, may cover simple work done under close supervision, and each succeeding grade will recognize a higher level of difficulty, complexity or the amount of discretion allowed to make independent decisions.
- 5 Slot each bench-mark job into a grade with reference to the job and grade descriptions.
- 6 Grade the other jobs with reference to the bench-mark jobs and grade descriptions.

Alternatively, you may start a job classification exercise from a pre-determined grading scheme. In this case, it is necessary to prepare job descriptions and place the jobs into the grade.

The main problem with job classification systems is that they cannot deal with complex jobs which will not fit neatly into one grade. They are less useful for more senior jobs where the job descriptions are so generalised that they do not provide much help in evaluating borderline cases.

Activity E

Activity E
Take the same five non-executive jobs you have referred to in your previous Activity and apply the job classification scheme to evaluate them.

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iii) Points rating

iii) Points rating
The points rating scheme is based on an analysis of separately defined characteristics or factors which are assumed to be common to all the jobs. You have to further assume that differences in the extent to which the characteristics are found in the jobs will measure differences between the levels of the job. Therefore, when you select the factors in the points schemes you should ensure that they are considered the most important in determining the relative degrees of difficulty or responsibility. Typical factors include knowledge and skills, decisions, complexity, responsibility for the work of others, resources controlled (managerial and supervisory jobs), contacts (managerial and clerical jobs), and physical effort (manual jobs).

Each factor has a range of points allocated to it so that a maximum number of points is available. The relative importance or "weighting" of a factor can be determined by the maximum number of points given to it. For each factor, you must divide the total range of points into degrees according to the level at which the factor is present in the job.

You can evaluate the jobs by comparing job descriptions containing analyses of the extent to which the factor is present in the job with the factor degree definitions. You must grade the jobs for each factor and give a factor score in accordance with the points value attached to each factor degree. Then add up the scores for each factor to produce a total score and allocate them into job grades according to the points range determined for each grade.

The following steps should be followed to develop a points-rating scheme.

- 1 Select a representative sample of bench-mark jobs. This should cover all the major occupations and levels of responsibility to be covered by the scheme.
- 2 Decide on the factors to be used in analysing and evaluating the jobs. The aim should be to restrict the number to no more than eight or so. The use of too many factors results in an over-complex scheme with overlap and duplication between factors.
- 3 Prepare a preliminary definition of each factor and divide it into degrees of levels each of which is also defined. It is useful to restrict the number of levels to five or six.
- 4 Analyse each bench-mark job in terms of the factors and decide on the degree to which each factor is present by reference to the preliminary definitions of the factor degrees.
- 5 Decide on the weights to be attached to the factors (the total points value). This is a critical decision and should always be made in accordance with company circumstances. It is dangerous to accept weightages given in a packaged scheme as these may produce results which are quite misleading.
- 6 Redefine the factor definitions and points scores in the light of the results of steps 4 and 5 to produce the final scheme.

Activity F

Evaluate the executive jobs in your organisation with the help of the Points-rating Scheme.

The golden rule in choosing a scheme is to go for the simplest approach first and reject it only if the complexity of the situation or the need to impress everyone demands a more complicated method. All job evaluation is largely subjective when it comes to making final judgements. The main value of any of the methods described in this Unit lies in the detailed analysis of the jobs prior to making comparisons between them.

Conversion of Job Evaluation into Salary Value

A job has been ranked, classified, or point rated. The next step is to convert this measurement into a salary bracket. In essence, this is simply a matter of bracketing up the total salary range into sub-divisions corresponding to the number of classes of jobs arrived at. However, you will need to look into several other factors before you can evolve a right salary policy, which will be dealt with in a separate unit.

9.6 SUMMARY

This Unit was meant to help you to improve your ability to manage more effectively. Through this Unit your understanding of your job as well as those of others ought to have been enhanced. Your enriched job understanding should improve your ability to manage men much more effectively.

We have attempted to clarify and distinguish the concepts of job description, job analysis and job evaluation and how they are closely related to each other.

We have also tried to explain the benefits of job analysis, job description and job evaluation.

9.7 SELF-ASSESSMENT TEST

- State very briefly the distinguishing features of job analysis, job description and job evaluation.
- Describe the major steps of job description.
- Construct a questionnaire for collecting information for job analysis in your own organisation.

9.8 KEY WORDS

Job: The various tasks expected of an employee in the context of social and physical environment in which he carries them out.

Job Description: It is a description of the duties, scope and responsibilities associated with the job.

Job Analysis: A process of examining the various components of a job and the circumstances in which it is performed.

Job Evaluation: A technique used to establish the relative worth of jobs in a job hierarchy.

Factor Analysis: An analytical evaluation technique used to compare jobs and assess them in terms of certain common factors.

Job Requirement: A characteristic required of a worker to perform a particular job successfully.

9.9 FURTHER READINGS

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UNIT 10 EMPLOYEE MOTIVATION AND JOB ENRICHMENT

Objectives

After going through this unit, you should be able to:

- appreciate the concepts related to employee motivation and job satisfaction
- understand the techniques that can be used for motivating employees
- comprehend alternative methods by which jobs can be made more interesting

Structure

- 10.1 Introduction
- 10.2 What is Motivation?
- 10.3 Some Common Assumptions about Motivation
- 10.4 Types of Motivation
- 10.5 Indications of Motivation and Demotivation
- 10.6 Theories of Motivation
- 10.7 Motivation and Morale
- 10.8 Motivation of Employees in Actual Practice
- 10.9 Job Enrichment—Meaning, Nature and Objectives
- 10.10 Characteristics Underlying Job Enrichment
- 10.11 How to Enrich Jobs?
- 10.12 Summary
- 10.13 Self-test Questions
- 10.14 Key Words
- 10.15 Further Readings

10.1 INTRODUCTION

Employee motivation and job enrichment are described as two management techniques used to improve human behaviour and attitude towards work, with a view to utilise available human resources more efficiently and thus make man-management more effective. Just as the employee has certain wants that the organisation is expected to satisfy, the organisation too expects certain types of behaviour usually termed as “Direction” or “Motivation”. Obviously this managerial function is not so easy, as it involves many problems, and it is these problems and their possible solutions that we are concerned with in this unit.

Job enrichment is also a motivational problem created by the alienation of employees from their work, or by lack of their interest in their work. Here the problem is how to make the work more interesting, purposeful and acceptable to employees so that they may perform it more enthusiastically and with a greater sense of responsibility. Like motivation this is also a problem of human behaviour and work attitude. In fact both employee motivation and job enrichment are the problems which every supervisor and manager has to face while working and making their subordinates work.

10.2 WHAT IS MOTIVATION?

Literally motivation means incitement or inducement to act or move. In an industrial setting it means to make a subordinate act in a desired manner. Obviously “desired” implies as desired in the interests of the organisation or employer. It implies not only

that the subordinate should act in a disciplined manner, but also that he should act in an efficient and productive manner. To motivate, therefore, is to induce, persuade, stimulate, even compel (as when fear becomes the motivator) an employee to act in a manner which may help in attaining an organisational objective. This may be a limited view. Motivation really comprises all the internal urges which are described as desires, wishes, drives, etc. which make a person strive for doing a thing. Motivation is what makes people do things. In the USA it is commonly described as "making John Run". Webster defines the term "Motivate" as meaning to provide with a motive to impel or incite one to action. It may be a need, idea, emotion or organic state that may prompt one to action or work. It is not a matter of manipulation.

Motivation and Incentives

Motivation may not be the same as incentive. In incentives we generally expect greater output with the same inputs, while motivation may involve some more inputs considered necessary for changing the work, attitude and behaviour. Again, financial incentives may not motivate all, particularly those employees whose physical needs are already satisfied. Persons with higher earnings may remain dissatisfied and frustrated because their employment and working conditions may not be conducive to make a person work wholeheartedly and give his best. To motivate means really to produce a goal-oriented behaviour, which may not be made possible by mere provision of incentives with the object of higher earnings and higher output.

Need and Importance

Need and importance of motivation are too obvious to need any detailed discussion. Survival and growth of an undertaking depends considerably on the performance of its employees and the performance of an employee depends on two factors, that is (i) his ability to work and (ii) his will to work. The first is determined by the quality of education, training and experience that he has acquired. Even if there is any deficiency in the same, it can be made good by arranging further training and developing facilities for him. The second factor, i.e. willingness to work, is more difficult to manage as it involves change in behaviour and attitude of a person towards work, or motivating him to work in a desired manner and give overall better performance. Motivated workforce is essential for efficient working and optimum productivity, and thus for attaining organisational objective. The importance of motivation in personnel management can hardly be better seen than from the fact that after planning and organising, motivation is the third important function of a personnel manager. In order to make any managerial decision really meaningful, it is necessary to convert it into an effective action which the manager can accomplish by motivating his subordinates. Almost every human problem the manager faces throughout the organisation has motivational elements. In fact every aspect of the personnel function is pervasively endowed with motivational attributes. The personnel manager therefore should incorporate the principles and concept of motivation into his own philosophy of management. By understanding and applying them himself, he can influence others in attaining a better or positive motivation.

10.3 SOME COMMON ASSUMPTIONS ABOUT MOTIVATION

- i) It is commonly stated that, it is the subordinates or rank and file among the workers or non-supervisory staff in an organisation who need to be motivated and not the supervisory and managerial staff. The fact is that the latter need to be motivated first and it is then that they will be able to motivate their subordinates and other workers at the shopfloor level. How can a demotivated manager or supervisor motivate persons working under him?
- ii) Motivation and higher productivity go together. This may be true by and large, but individual motivation at the workplace or group motivation as in the case of trade unions may not have such a correlation with productivity.

- iii) All motivational techniques are designed and applied by the personnel, and managers and other line executives, who directly control and take work from those under them. In fact, the latter are more concerned as it is their primary function to see the persons under them work most efficiently. As they are in closer touch with their workers they can understand their problems better and also know their needs. If necessary they can take the advice of the personnel man or industrial psychologist or any consultant.
- iv) Standard theories of motivation developed by psychologists will also apply to industrial situation. Most of these concepts and theories have been developed by the study of human material other than industrial personnel, and so their application to the latter may not be fruitful or provide dependable results.

10.4 TYPES OF MOTIVATION

In the industrial set-up motivation may be intrinsic as well as extrinsic. **Intrinsic motivation** is related to the job one is doing. When a skilled operative performs a job well, he derives a sense of satisfaction. This is intrinsic motivation which satisfies the creative instinct in man.

Extrinsic motivation is external to the job or task. For example, financial incentives for doing a job well or giving higher production may motivate the workers. Other external motivators are praise from the superior for good work, recognition of good performance by the company in the form of public citation and award, admiration of fellow workers, and improved working conditions and other facilities.

Determinants of Motivation

The traditional approach that man could be made to work by monetary rewards has been gradually giving place to a more complete pluralistic explanation which recognises that man works to fulfil a variety of needs. It is recognised that the motivation is the result of the following three groups of factors:

- i) **Individuals:** To know what can motivate employees we must know their aims, objectives and values. Human needs are both numerous and complex, and often it is difficult to identify them. Motivation is not an easily observed phenomenon. We have first to observe individual action and behaviour at work and interpret the same in terms of underlying motivation. Our interpretation may not necessarily reveal the individual's true motivation, as some of the human needs may be difficult to describe and identify.
- ii) **Organisational Components:** Organisation structure, technological system, physical facilities which constitute internal environment of an organisation affect motivation. Some machines are more interesting to work with than others; or certain kinds of work may be boring to many persons. As shown by the Hawthorne experiments, job-connected experience of a worker is a factor determining his motivation.
- iii) **External or Exogenous Variables:** A worker's life outside the factory is also an important factor affecting his motivation or willingness to work inside the factory. Life at work and life outside the work are bound together. Troubles and joys of off-job life cannot be put aside when reporting for work, nor can the factory matters be dropped when returning home after work. A strong motivational role is also played by culture, customs and norms, images and attributes conferred by society on particular jobs. An individual for example may find that his work commands a substantial degree of respect and social acceptance quite apart from holding a position in a particular organisation, and so he may be more willing or motivated to perform such a work.

Characteristics of Motivation

Some important characteristics of motivation which may be noticed from the above discussion of its determinants are:

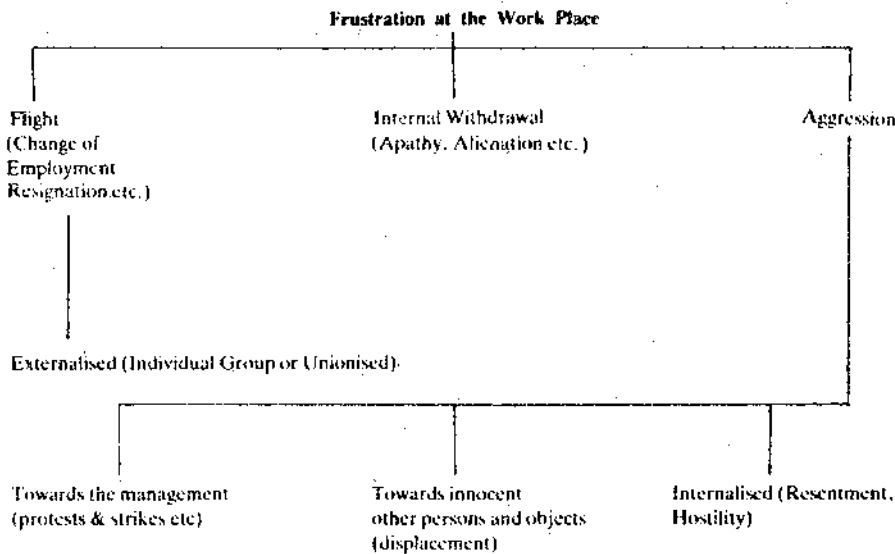
- i) **Individuals differ in their motivation:** There is no single economic drive which determines behaviour. As the desires and goals of individuals differ, so do their motivations. One may do a job because it is remunerative, the second may do it because it gives a sense of achievement, and a third may do it because it enables him to serve a cause which is dear to him.
- ii) **Motivation is highly situational:** A person may work very well in one organisation and poorly in another in the same position or type of the job. The performance may vary with working conditions and type of supervision.
- iii) **Motivation change:** Motivation of each individual changes from time to time even if he may continue to behave in the same way. For example, a temporary worker may produce more in the beginning to become permanent. After he has been made permanent, he may continue to produce more to gain promotion and so on.
- iv) **Motivation is expressed differently:** Needs and the way in which they are translated into action may vary considerably between one individual and another. Different persons may also react differently to successful or unsuccessful fulfilment of their needs. One may feel frustrated if his need has not been met, but the other may be motivated by his failure and redouble his effort to get his need met (say by writing and publishing additional scholarly articles or books). Again one individual with strong security need may avoid accepting responsibility for fear of failure and dismissal and the other with a similar need may seek out responsibility for fear of being fired for low performance.
- v) **Sometimes the individual himself is not aware of his motivation:** This can be better explained by an example drawn from the famous Hawthorne experiment. One girl worker complained to her counsellor about her foreman. Later on, it was found that the reason why she disliked her foreman was that she had a step-father whom she feared and whose physical appearance was very much like her foreman. The result was that she had unconsciously transferred to her foreman the unfavourable characteristics of her step-father.
- vi) **Motivation is complex:** It is difficult to explain and predict the behaviour of workers. Use of one motivational device may not produce the desired result if it brings an opposing motive into play. In a factory when a blue-green device was introduced to reduce eye strain, the output of men workers increased while that of female workers decreased. It was found that the latter disliked this change as the new type of light falling on them made them look simply ghastly in appearance.

10.5 INDICATIONS OF MOTIVATION AND DEMOTIVATION

- i) Who can be considered a motivated worker?
 - a) One who wants to come to work and works willingly.
 - b) When at work he gives his best.
 - c) He has a definite sense of belonging and pride in the organisation and in the improvement of management effectiveness.
- ii) Some common indications of demotivation:
 - a) Increasing absenteeism among employees and excessive labour turn-over.
 - b) Low output and productivity
 - c) An increasing rate of accidents and wastage of raw material.
 - d) Rank indiscipline
 - e) Frustration and unrest in the workforce.
 - f) Defiant and violent behaviour of workers at or outside the workplace, and frequent confrontation or argument with supervisors and managers.
 - g) Non-cooperation, strikes, gheraos, abusive and violent demonstration.

Frustration which is the most common manifestation of demotivation may be caused by erosion of real wages due to rising prices and unsatisfactory personnel administration. But whenever it develops, a worker will either seek a better job elsewhere if he can, or will develop a sense of apathy towards the organisation and his work so that he would do as little as possible. Other demotivating consequences of frustration may be as illustrated below:

Figure 1



10.6 THEORIES OF MOTIVATION

Although no area of personnel management has been more debated than motivation, the latter has been and still is an important area, where considerable research is being conducted by psychologists, behavioural scientists and management writers. Based on this research many theories of motivation have been formulated. Some of the important theories which try to provide explanations of the behaviour outcome are as below:

i) B.F. Skinner's Theory of Operant Conditioning or Behaviour Modification Theory: According to this theory people behave the way they do because in past circumstances they learned that certain behaviour was associated with pleasant outcomes, while certain other behaviour was associated with unpleasant outcomes. In the simplest language this is a theory of learning, i.e. how to make an animal or human being learn what is positive or desirable behaviour. Skinner did not make any research in the field of industries, but he conducted his researches to study learning process among rats, and also experimented with school children and found that stimulus for desirable behaviour could be strengthened by rewarding it at the earliest. In the industrial situation, the relevance of this theory may be found in the installation of financial and non-financial incentives. More immediate is the reward and the stimulation or the motivation it creates. Withdrawal of reward in case of substandard work may also produce the desired result. However, researches show that it is generally more effective to reward desired behaviour than to punish undesired behaviour.

ii) McClelland's Need for Achievement Theory:

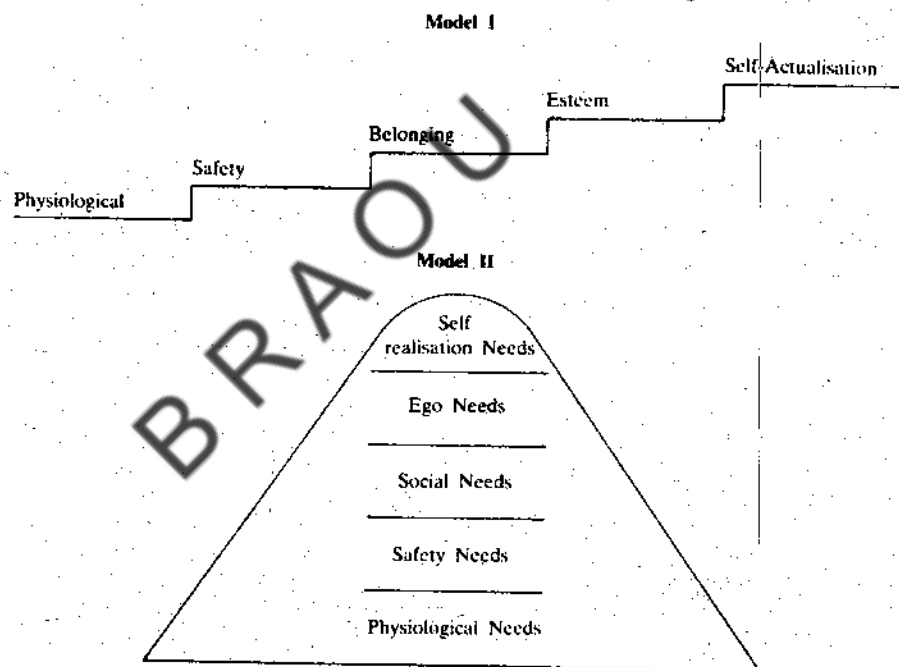
This theory has particular reference to industrial enterprises, as the achievement motive naturally has much to do with the success and failure of an enterprise. In the USA maximum research has been conducted on the achievement motive. According to McClelland the three human needs are need for affiliation, need for power and need for achievement. His theory postulates that some people are much more achievement minded than others and they attain job satisfaction, and derive a special kind of joy in attaining an objective successfully or accomplish a challenging job rather than receiving a monetary or other reward. According to him need for achievement or self-actualisation is the strongest and lasting motivating factor, particularly in case of persons whose power needs are satisfied. Unfortunately we do not see this type of motivation in most of the Indian organisations. This type of motivation may be seen more among people with higher technical skill and professional knowledge, than in labour intensive traditional organisations.

iii) **Abraham H. Maslow's Need Hierarchy or Deficient Theory of Motivation:**

The intellectual basis for most of the motivation thinking has been provided by the behavioural scientists, A.H. Maslow and Frederick Herzberg, whose published works are the bible of motivation. Although Maslow himself did not apply his theory to industrial situation, it has a wide impact far beyond academic circles. Douglas MacGregor has used Maslow's theory to interpret specific problems in personnel administration and industrial relations.

The crux of Maslow's theory is that human needs are arranged in a hierarchy composed of five categories. The lowest level needs are physiological and the highest level are the self-actualisation needs. Maslow starts with the formulation that man is a wanting animal with a hierarchy of needs, of which some are lower in scale and some are in a higher scale or system of values. As the lower needs are satisfied, higher needs emerge. Higher needs cannot be satisfied unless lower needs are fulfilled. A satisfied need is not a motivator. This resembles the standard economic theory of diminishing returns. The hierarchy of needs at work in the individual, is today a routine tool of the personnel trade, and when these needs are active they act as powerful conditioners of behaviour—as motivators.

Hierarchy of Needs: The main needs of men are five i.e. physiological needs, safety needs, social needs, ego needs and self-realisation or self-actualisation needs, as shown in order of their importance and working in the following two Models.



The above five basic needs are regarded as striving needs which make a person do things. The first model indicates the ranking of the different needs. The second is more helpful in indicating how the satisfaction of the higher needs is based on the satisfaction of the lower needs. It also shows how the number of persons who have experienced the fulfilment of higher needs gradually tapers off.

Physiological or Body Needs: The individual moves up the ladder responding first to the physiological needs for nourishment, clothing and shelter. These physical needs must be equated with pay rate, pay practices and to an extent with the physical conditions of the job. Do not the flower children call money "bread"? To the hungry man food is God, as observed by Mahatma Gandhi.

Safety: The next in order of needs is safety need, the need to be free from danger, either from other people or from environment. The individual wants to be assured, once his bodily needs are satisfied, that they are secure and will continue to be satisfied for the foreseeable future. The safety needs may take the form of job security, security against disease, misfortune, old age, etc. as also against industrial injury. Such needs are generally met by safety laws, measures of social security, protective labour laws and collective agreements.

Social Needs: Going up the scale of needs, the individual feels the desire to work in a cohesive group and develop a sense of belonging and identification with a group. He feels the need to love and be loved and the need to belong and be identified with a group. In a large organisation it is not easy to build up social relations. However close relations can be built up with at least some fellow workers. Every employee wants to feel that he is wanted or accepted and that he is not an alien facing a hostile group.

Ego or Esteem Needs: These needs are reflected in our desire for status and recognition, respect and prestige in the workgroup or workplace, such as is conferred by the recognition of one's merit by promotion, by participation in management and by the fulfilment of a worker's urge for self-expression. Some of the needs relate to one's self-esteem, e.g. need for achievement, self-confidence, knowledge, competence, etc. On the job, this means praise for a job well done. But more important, it means a feeling by the employee that at all times he has the respect of his supervisor as a person and as a contributor to the organisation's goal.

Self-realisation or Self-actualisation Needs: This upper level need is one which when satisfied makes the employee give up dependence on others or on the environment. He becomes growth-oriented, self-directed, detached and creative. This need reflects a state defined in terms of the extent to which an individual attains his personal goal. This is the need which totally lies within oneself and there is no demand from any external situation or person. To quote Maslow, "A musician must make music, an artist must paint, a poet must write, if he is to be ultimately happy. What a man can be he must be. This need we may call self-actualisation". He has "the desire to be more and more what one is, to become everything what one is capable of becoming". In practical terms, in an organisation one seldom achieves self-realisation. However, the creativity of a man in producing new and practical ideas, in bringing about productivity, innovation and reducing costs might satisfy some of these needs.

By and large Maslow's analysis is significant, and he may also be correct in saying that saturated basic needs act as disincentives, but his reasoning is not free from flaws. For the majority of industrial workers or executives even basic needs are never satisfied fully. These needs are recurrent and some of them are fairly constant. They may vary, say from a small flat to a bigger flat, or from a small car to a bigger car, but all the same they are there. Moreover, as observed earlier, the industrial scene is hardly conducive to satisfying higher needs, particularly the one of self-actualisation. A highly dedicated and committed executive may have a highly developed sense of responsibility, but may not have the need for self-actualisation.

iv) Herzberg's Two Factor or Hygiene or Maintenance Theory of Motivation:

According to Herzberg, man has two different categories of needs which are essentially independent of each other and affect his behaviour in different ways. When people are dissatisfied about their jobs, they are concerned about the environment in which they are working. On the other hand, when people feel good about their job, this has to do with the work itself. Herzberg calls the first category of needs hygiene factors because they describe man's environment and serve the primary purpose of presenting job dissatisfaction. He calls the second category of needs as motivators since they seem to be effective in motivating people to superior performance. Hygiene factors include company policies, administration, supervision, working conditions, interpersonal relations, wages and allowances, status and security. Motivators or job content factors include achievement, recognition, increased responsibility, challenging work, growth and development. According to Herzberg both the sets of factors work in one direction only. Absence of hygiene factors may dissatisfy the workers but will not demotivate them. Similarly, in the presence of demotivators, workers may be motivated, but their absence does not make them dissatisfied.

Herzberg's theory and observations are based on the information collected by him and his colleagues by interviewing 200 engineers and accountants in the late fifties at Pittsburg in order to assess what motivated them in their work. Obviously this was a group of employees whose lower needs, i.e. physiological, safety and even social needs by and large were satisfied and so they could be motivated by the remaining two higher needs, i.e. esteem and self-actualisation. Herzberg's theory may, therefore, be relevant for better paid executives in developed economies. Under Indian conditions, as already stated, the research evidence points in a different direction.

Hardly any organisation can offer unbounded opportunities for personal growth to its executives. So a middle way has to be found.

v) Alderfer's ERG Theory of Motivation:

Taking Maslow's theory as the starting point, Clayton Alderfer has built up a theory which he claims has realistic application to a work organisation. According to him, Maslow's five levels of needs can be amalgamated into three, i.e. "existence, relatedness and growth" resulting in his approach being termed "ERG" Theory. His "Existence Needs" include all forms of physiological and safety needs or Maslow's first two level needs, "Related Needs" include relationship with other people (Social Needs of Maslow's third level) and that part of Maslow's fourth level (Esteem Needs) which are derived from other people. "Growth Needs", like Maslow's notion of self-actualisation, are concerned with the desire to be creative and to achieve full potential in the existing environment.

Novelty of Alderfer's theory lies not in the regrouping of needs but in Maslow's hierarchy of human needs. He conceives of ERG needs along a continuum thus avoiding the implication that the higher up an individual is in the hierarchy the better it is. According to him different types of needs can operate simultaneously, and if a particular path towards the satisfaction is blocked, the individual will both persist along that path and at the same time regress towards more easily satisfied needs. In this way, he distinguishes between chronic needs which persist over a period and the episode needs which are situational and can change according to the environment.

vi) J.S. Adam's Equity Theory:

The essence of this theory is that employees make comparison of their efforts and rewards with those of others in similar work situations. Inequity exists when these ratios are not equivalent. The existence of perceived inequity creates tension, and greater the inequity greater the tension is. Such a tension may motivate the worker to increase or decrease their output or input to attain equity. The importance of this theory to management lies in the area of determining appropriate levels of rewards.

vii) V.H. Varoom's Expectancy Theory:

According to Varoom, an individual's level of performance is determined by his preference for particular goals. He calls level of performance as the first level outcome and preference for a goal as second level outcome. An individual's preference for a particular goal which Varoom calls **Valence** can be positive or negative, or zero, depending on whether the individual prefers to attain the goal, or not, or it can be zero, if he is indifferent towards the outcome.

The degree to which the individual believes that his first level outcome (performance) leads to the second level outcome (preferred goal) is a subjective probability estimate which Varoom calls **Instrumentality**. The Combination of Valence of the Goal and the Instrumentality determines the importance of level of performance. Another major variable in the Varoom's motivational scheme is **Expectancy** which like Instrumentality is also a probability estimate. The former differs from the latter as it relates efforts to the level of performance, whereas the latter relates performance to the preferred goal. Expectancy will depend on the requisite skill and abilities of the individual, as also on his perception of the most appropriate way of obtaining his objectives.

Thus, what the individual does will depend on a three step thought process (i) How important are the various second-level outcomes (preferred goal)? (ii) Will the first level outcome (level of performance) lead to second level outcome or preferred goal (instrumentality)? (iii) Will existing effort in fact achieve high performance (Expectancy)? Although Varoom's theory does not directly contribute to the techniques of motivating personnel in an organisation, it is of value in analysing organisational behaviour.

It also points out that people can differ greatly in how they size up their chances for success in different jobs. Therefore, to motivate people, it is just not enough to offer them some rewards. They must also feel reasonably convinced that they have the ability to obtain the reward.

10.7 MOTIVATION AND MORALE

These two expressions are not synonymous or interchangeable as may be clear from the definition and nature of motivation explained in para 2 of this unit. But the fact remains that a motivated group of workers generally have a high degree of morale. Morale is a composite attitude of various individuals employed by a company. It is generated by the group and may be considered as a by-product of the group. It is not an average of individual attitudes. M.S. Viteles defines morale as "an attitude of satisfaction, with a desire to continue in, and willingness to strive for, the goals of a particular group or organisation". Milton Blum describes morale as "the possession of feeling of being accepted by and the belonging to a group of employees through adherence to a common goal and confidence in the desirability of these goals". Put simply, morale is a group concept, while motivation is largely an individual concept. Morale is the summation of feeling of employees as a group towards various aspects of their work job, the company, working conditions, fellow workers, supervisors and so on. If the attitude of employees towards all these aspects is more positive than negative, the morale of the group can be said to be high, otherwise it is low.

Studies in India show that high morale among workers may not be an indication of high productivity. Higher morale of union members may enable them to continue to strike and fight out the issue.

Important components and determinants of morale are (a) a feeling of togetherness, (b) need for a clear goal or objective to be achieved, (c) expectation of success towards the attainment of the goal, (d) feeling of each member within the group that he has a meaningful task to perform for achieving the goal and that he also matters whatever may be the job assigned to him, and (e) supportive and stimulative leadership. All these determinants of morale are equivalent to that of job satisfaction which is a precursor of morale. However, the two differ as the term job satisfaction is used for individual and morale for groups.

An enlightened management should be conscious of the need for assessing the morale of its employees by opinion poll or attitude survey from time to time. Low morale can be caused by factors beyond the control of the organisation. However, workers morale can be boosted up by (a) better methods of working in which workers or their representatives may have a bigger say, (b) utilisation of incentive schemes with the widest possible coverage, and (c) consultative and participative style of management.

What Demotivates or Demoralises the Employees?

There are some management practices which affect the morale and motivation or willingness of workmen to give their best or work in the desired manner. Some of these practices are:

- a) **Under assignment:** If a skilled man is assigned an unskilled or routine job, it may cause frustration or job dissatisfaction and thus demotivation.
- b) **Over assignment:** If a good worker is overloaded to the point where he feels being exploited, this may make him lose interest in work. In big organisations, it is rather a common practice to pick up good workers as others cannot be trusted or depended upon.
- c) **Buckmastership:** An expression coined by Parkinson can also be a demotivator. Superiors or leaders avoiding hard work themselves and passing on the same to their subordinates, and then finding fault with them is a common management practice which may erode employee motivation.
- d) **Coercive types of control or supervision** which may give a worker a feeling that he is not being trusted may also demotivate him or erode his interest in the work. Some control no doubt is essential but if it is too coercive resulting in frequent warnings or punishments, or withdrawal of facilities to chasten the employee, morale and motivation of the employee may go down.
- e) **Manipulative behaviour of the management** which may take the form of divide and rule policy or tactics, making promises which are not fulfilled, encouraging groupism and appealing to the patriotic sense in times of national crisis, may also have

a demotivating effect. When employees perceive such behaviour, they naturally cease to work and lose interest in the same.

10.8 MOTIVATION OF EMPLOYEES IN ACTUAL PRACTICE

Motivation is a Western word which has come to our culture, and it has many shades of meaning. For the Western mind which believes that a human being inherently avoids work, motivation comes to the forefront and removes the mental block and obstinacy. If we look from the Eastern point of view, we have the word "Karma" or "Dharma", which approximately have the same meaning as motivation. As a blend of Eastern and Western cultures, motivation has something to do with our way of life and thinking. Basically motivation means how to convert a negative into a positive attitude.

There is no single magic wand to motivate employees as their needs and priorities of satisfaction differ. What may motivate one may not motivate the other. However, as Taylor has observed, it is for the employer to find out the right way that could make workers more productive. According to him an employee is a bundle of untapped energy, ready to work if he is properly trained and fairly treated. In managing an organisation, some of the important factors which could improve motivation and morale of its employees are as follows:

- i) A well-defined humanistic personnel policy wherein the workforce is regarded as the valuable asset of the organisation, and sufficient care is taken to maintain and develop it, not only to attain organisation objectives but also to satisfy the normal aspirations of employees.
- ii) A long-term employment policy projecting image of fairness in recruitment and selection, placement of the right person in the right job, sound and fair promotion and transfer policies, well-planned need-based training and development programmes for grooming employees for higher jobs or building their career in the organisation, and suitable manpower planning.
- iii) Fair wages and salary administration ensuring equitable wage structure free from internal and external inequalities.
- iv) Good performance should be rewarded adequately at the earliest and also given deserving publicity.
- v) A constructive and objective system of performance appraisal and merit rating of employees aiming at servicing and improving them and not so much for punishing them.
- vi) Prompt handling of workers' grievances by having a short time-bound procedure well-known to employees. In handling grievances, the attitude of persons managing grievances should be cooperative and positive and not negative, and the worker should have the feeling that he will be properly heard and justice will be done.
- vii) In handling disciplinary cases the management should not only be fair but also seem to be fair. Disciplinary procedure should conform to the principles of natural justice. A corrective and not punitive approach in this respect may be more motivating.
- viii) Participative and consultative style of management and supervision and increasing autonomy in work may create necessary conditions for motivating workers to give their best.
- ix) Job enrichment and enlargement, or making the job more challenging are also essential for making the workers give their best, as these will not only reduce job boredom and frustration, but also increase job satisfaction, and satisfy the esteem or ego and self-actualisation needs of employees, which are perpetual motivators.
- x) Self-motivation by top management, senior and middle managers and supervisors is essential if the persons working under them are to be motivated. The dictum "before you motivate others, you must first motivate yourself" should not be lost sight of. Seniors are expected to provide their juniors effective leadership and set an example of dedication and superior skill.

10.9 JOB ENRICHMENT—MEANING, NATURE AND OBJECTIVES

Job enrichment is a term used often for the process of achieving and improving the "quality of work life". Herzberg describes job enrichment as that type of improvement in the context of the job which may give a worker more of a challenge, more of a complete task, more responsibility, more opportunity for growth, and more chance to contribute his ideas. The need for such an improvement in the job content is being stressed by the social and behavioural scientists. This is because excessive job specialisation introduced by scientific management and advancing modern technology have been dehumanising the work by making the workers' job meaningless and routine, repetitive, removing all challenges from it and making the worker a part of the machine culture. As human capabilities are not being fully utilised under such conditions it is creating frustration among the workers and alienating them from their jobs. The increasing alienation of workers from their jobs is creating a serious human relation problem. Some organisations have been trying to solve the problem of excessive job specialisation by periodic job rotation to provide variety, but this has not proved adequate to reduce work boredom and monotony.

In recent years, considerable research has been undertaken with respect to more unusual and seemingly risky changes in job content. Among these are job enlargement, job enrichment and semi-autonomous groups.

Job Enrichment and Job Enlargement

Both these changes involve redesigning of the job and have the objective of humanising work by introducing more variety in work, increasing responsibilities, and making work more interesting, challenging and motivating. Job enlargement implies additions of more functions and increasing the variety of the task. But the additional responsibilities involved are of a horizontal nature. Job enrichment implies an improvement in the quality and variety of work, and the additional responsibilities are of a critical nature encompassing self-control. Again the job enlargement merely makes a job structurally bigger, while job enrichment provides the opportunity for the employees' psychological growth. The job enrichment approach to job designing is therefore more often recommended by the behaviourists.

10.10 CHARACTERISTICS UNDERLYING JOB ENRICHMENT

According to Hackman and Oldham, the following are the important job characteristics underlying job enrichment.

- a) **Skill Variety:** This provides opportunities for employees to perform a wide range of operations in their work and use a wide variety of equipment and procedures.
- b) **Task Identity:** This allows employees to do an entire or whole piece of work so that employees can clearly identify the result of their effort.
- c) **Task Significance:** This makes employees feel that the job has a substantial impact on others. The impact can be on others in the organisation, as when the worker performs a key step in the work process, or it may be on others outside the organisation, as when the worker helps to make a life-saving instrument.
- d) **Autonomy:** This makes employees feel that the work is their own and they are responsible for whatever success or failure ensuing from their work. Autonomy measures the extent to which employees have a say in scheduling their work, selecting the equipment they will use, and deciding on procedure to be followed. The autonomy is created through a process of "vertical loading" that is, the worker is given self-management rights in multiple areas.
- e) **Feedback:** The worker must receive useful and believable information regarding the job performance. Feedback may come from the job itself or from the supervisor or from other persons.

10.11 HOW TO ENRICH JOBS?

Usually job enrichment is undertaken at the management initiative, often with the assistance of behavioural scientists as consultants for analysing the content of the job and designing a new job-structure. The management's initiative is aroused by its perception of workers' apathy and indifferent performance, high rate of absenteeism and other symptoms which indicate that workers do not like the jobs they are doing.

There is no one way of enriching a job. The technology and the circumstances dictate which techniques or combination of techniques could be appropriate. According to Tripathi, some of the important techniques followed are:

- i) Rotation of tasks, broadening of qualifications of skills and responsibilities, enhancement of the intrinsic interest of the job and removing or lessening supervision.
- ii) Increasing responsibilities of individuals for their own work.
- iii) Giving employees more scope to vary the methods, sequence and pace of their work.
- iv) Giving a person or a work group a complete natural unit of work i.e. reducing task specialisation.
- v) Removing some controls from above while ensuring that individual or groups are clearly accountable for achieving targets or standards.
- vi) Allowing more say or influence in setting targets and the standard of performance.
- vii) Giving employees the control information that they need to monitor their own performance.
- viii) Encouraging the participation of employees in planning work, innovating new techniques and reviewing results.
- ix) Introducing new and more difficult tasks not previously handled.
- x) Assigning individuals or groups specific projects which give them more responsibility and help them to increase their expertise.
- xi) Making crisis decision in problem situations rather than relying on the boss.

As observed by Edwin B. Flippo the most critical core dimension of job enrichment is that of job autonomy. It is certainly the critical difference between job enrichment and job enlargement. The autonomy is created through a process of "vertical loading" that is, the worker is given self-management rights in multiple areas. In various programmes such additional responsibilities include setting one's own work schedule and work break, in establishing work methods, making one's own quality checks, varying the work place, changing duties with others, setting priorities as to work performed, making crisis decision in problem situations rather than relying on the boss and training less experienced workers.

Flippo outlines the theory of job enrichment in the following figure or model prepared by J. Richard Hackman and Greg R. Oldham.

Model of Job Enrichment

Core Job Dimensions	Critical Psychological States	Personal and work outcomes
Skill Variety Task Identity Task Significance	Experienced Meaningfulness of work	High interest work performance
Autonomy	Experienced Responsibility for outcomes of the work	High quality work performance
Feedback	Knowledge of the actual work activities Employee Growth need strength	High motivation with the work Low absenteeism and turnover.

Some Experiments of Job Enrichment and their Success ,

Redesigning of jobs which job enrichment involves is a complete process and needs expert advice and guidance and a detailed study of the existing socio-technical system, even a long period of trial with new forms of operations. However, numerous job enrichment experimental programmes have been reported in the literature on this subject. At the Olivetti plant in Italy, where assembly method has been given up, each worker is now given the responsibility for a large job like an entire key board, the final assembly of an electronic calculator, a print system etc. At the Kremafactory in Reims in France, workers are specially trained so that they can operate without supervisors. The workers prefer this system and now the plant requires 20% fewer employees and so the workers can earn more in the process. A dye casting plant near Stockholm was suffering from high labour turn-over and poor productivity. In 1971 the management decided, on the basis of expert advice, to take major steps: (i) to transfer part of the responsibility from the supervisors to groups of workers and (ii) to introduce a flexible wage system based on group achievements. The results were: (i) productivity rose by 40% over a two-year period, (ii) labour turn-over dropped from 60% to 18% and spoilage dropped from 4.3% to 3%. The experiments of the Institute of Human Relations, London, in British Coal Mines proved that a small self-managed team doing a variety of jobs was more productive than each man working alone even when semi-automatic equipment had been introduced.

A more famous experiment was that carried out in a new plant at Poes-Grunn by the Norsk Hydro Co., producing chemicals and fertilisers. Work in the plant had been organised in five teams of twelve workers each. Each team comprised three workgroups of four workers each, who were trained to carry out all the operations in one particular area of work, including maintenance and clearing of work areas as well as quality control. A special action committee consisting of an outside researcher, the plant manager, the representatives of the local union, of supervisors and of the personnel department, met weekly to watch and guide and experiment in the early stages. Later on this work was taken over by the 'Department Committee' which had been set up in a Norwegian industry under a collective agreement with the union in 1967. The findings in quite a few establishments where such experiments were conducted, were that productivity increased 20% or more with less supervision and the workers had high job satisfaction. This attracted the attention of industrialists all over Europe.

In the Traveller's Insurance Company, the job of a key operator was enriched to include: (a) working for one particular department; (b) communicating directly with user-clients; (c) checking one's own quality; (d) establishing a personal work schedule; and (e) correcting one's errors. This resulted in an increase in the quantity of output by 31%, decrease in the error rate by 8.5%, and a decrease of 3% in the rate of absenteeism.

A recent survey of 58 companies with job enrichment programmes has revealed that two-thirds felt that product quality had improved and half said that employee turn-over was down to an average of 18%. Over one-third reported decrease in absenteeism by 16%, and one-third indicated that employee satisfaction had improved with grievances dropping by 16%.

Despite the well-developed theory and many reports of programme success, one can say that job enrichment is not a panacea. When a large insurance company attempted to introduce job enrichment, 82% of the affected employees reported liking the jobs, but almost as many as 68% stated that the employees' morale was lower because they were not being paid in proportion to increased duties. Success of job enrichment process is influenced by employees' growth need. Those high in the need for achievement are more likely to respond to job enrichment opportunities, and employees with low achievement needs are often unaffected by these changes. A person with high achievement needs is one who feels a need to accomplish something important, to compete against a challenging standard of excellence and prefers to receive a clear feedback of results. Again, employees who are younger and more educated are more responsive to job enrichment. The fact that all employees are not alike in their growth needs is further indicated by another survey of some 1500 employees which reveals that white collar employees ranked "interesting work" as most important. On the other hand, blue collar employees ranked "interesting work" in the

seventh position, after such items as security, pay, helpful co-workers, and clearly defined responsibilities. Hence management should not assume that job enrichment will be a success with all employees.

10.12 SUMMARY

Willingness to work is as important a component of one's performance as his ability to work, if not more. Motivation means not only willingness to work but also willingness to work in a desired manner which may help to attain organisational objective. The incentive can be meant to motivate employees to better performance. Importance of motivation as a management function is obvious from the fact that it is an essential pre-requisite for the survival and growth of an organisation, which largely depends on the effective utilisation of the workforce. And it is not possible unless the workforce is motivated adequately. Every human problem has a motivational element. Apart from other characteristics, motivation is a situational and complex problem as it relates to human behaviour and attitude towards work, which is subject to change and so difficult to predict.

Employee motivation is intrinsic as well as extrinsic because it is affected by elements present both within and outside the job. This is confirmed by motivation theories formulated by social and behavioural scientists. Some of these theories indicate the factors including human needs, which influence employee motivation, particularly Maslow's and Herzberg's theories of motivation which have been discussed in this Unit. However, in practice employees' attitude and behaviour at work are influenced considerably by organisational structure and its working and quality of work life. They are also influenced by personnel problems like recruitment, selection, promotion and transfers, wage and salary administration, handling of conflicts, grievances and disciplinary cases, and employee welfare.

The need for job enlargement and job enrichment has arisen from the increasing alienation of workers from their job monotony and boredom created by advancing modern technology and specialisation. The management tries to improve the jobs horizontally (job enlargement) or vertically (job enrichment) on perceiving workers' apathy or indifferent performance, high rate of absenteeism, and other symptoms indicating that the workers do not like their jobs even when they are rewarded adequately for the same. Important job enlargement and enrichment techniques used are: additional job functions, rotation of job tasks, broadening of qualifications or skills and responsibilities, increasing job autonomy by lessening or removing supervision, enhancement of the intrinsic interest of the job, etc. Experiments have been made in India and other countries to improve the quality of work life by enriching or enlarging the jobs with such good results as increased output, decreased absenteeism, dropping grievances, and increased employee satisfaction. However, the response of blue-collar employees and employees with low growth needs was not encouraging.

10.13 SELF-TEST QUESTIONS

- 1 Define motivation. Describe its characteristics.
- 2 Distinguish between motivation and morale. What can motivate and demotivate workmen?
- 3 Explain Maslow's and Herzberg's theories of motivation, and their relevance to labour conditions in India.
- 4 What do you understand by job enrichment? How does it differ from job enlargement? Can these techniques improve employee motivation? How?
- 5 Discuss the need for and techniques of job enrichment. Have they been tried anywhere? If so, with what results?

Answer the above questions from your memory, each answer covering not more than two pages.

10.14 KEY WORDS

Motivate: Processes by which a subordinate is encouraged to act in a manner which helps in attaining organisational objectives.

Job Enrichment: It is a process of achieving and improving the derived satisfaction from a job.

Job Enlargement: A process of redesigning the job to increase the responsibilities and making the job more challenging.

10.15 FURTHER READINGS

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BRAOU

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UNIT 11 PERFORMANCE, MONITORING AND APPRAISAL

Objectives

Once you have completed Unit, you should be able to:

- appreciate the role of performance appraisal in the achievement of organisational objectives
- caution yourself about the serious problems that may make the PA system unreliable and invalid
- devise methods that will ensure objectivity in the PA system
- use performance appraisal as a developmental tool

Structure

- 11.1 Introduction
- 11.2 What is Performance Appraisal?
- 11.3 Job Performance and Performance Measurement
- 11.4 The Problems of Validity and Reliability
- 11.5 Methods of Appraisal
- 11.6 Making Performance Appraisals More Effective
- 11.7 Summary
- 11.8 Self-assessment Test
- 11.9 Key Words
- 11.10 Further Readings

11.1 INTRODUCTION

A major concern of every manager should be to contribute positively towards the achievement of the organisational objectives. Organisational effectiveness is often equated with managerial efficiency. As a manager, you can ensure organisational effectiveness only by guaranteeing the full utilisation of the human resources available through the individual employees under your guidance. Hence, the need for monitoring and measuring the performance of employees. In this Unit, our attempt shall be to understand the meaning and relevance of performance appraisal systems. We shall also examine the popular methods of appraisal, the common problems of these methods, and look at the possibilities of overcoming these problems.

11.2 WHAT IS PERFORMANCE APPRAISAL?

Performance Appraisal (PA) is the process through which an individual employee's behaviour and accomplishments for a fixed time period are measured and evaluated. The major purpose of measuring and evaluating is to assess the worth or value. Performance appraisal is a systematic and objective way of judging the relative worth or ability of an employee in performing his task. Performance appraisal helps to identify those who are performing their assigned tasks well and those who are not and the reasons for such performance. Performance appraisal is thus the process of reviewing an individual's performance and progress in a job and assessing his potential for future improvement. It is a systematic method of obtaining, analysing and recording information about a person that is needed:

- for the efficient management of business/organisation
- by the manager to help him to improve the job holder's performance and plan his career
- by the job holder to assist him to evaluate his own performance and develop himself.

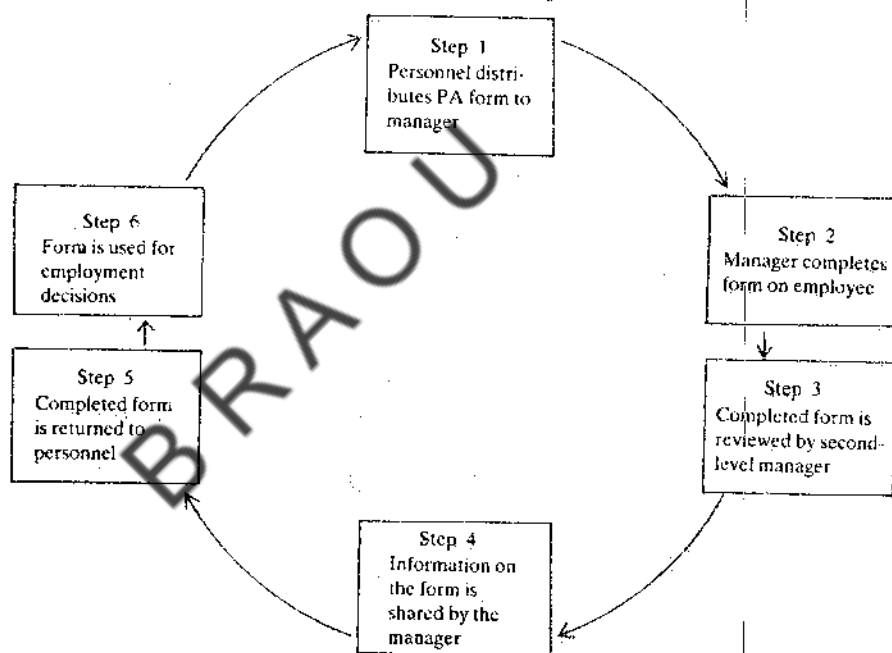
Performance Appraisal from an Organisational Perspective

The PA process for organisations is typically led by the personnel function. Performance Appraisal can be viewed as a six-step sequence as shown in Figure 1. The sequence is significant because it begins and ends with the personnel function and is ultimately justified by the value of PA in helping to make several administrative decisions.

PA from a Manager's Viewpoint

Much of the responsibility for doing the PA lies directly on your shoulders as the manager. You will be usually asked to define the demands of the employee's position and translate these into some expectations for the employee, such as "I expect you to reduce absenteeism by 20%" or "I expect you to respond promptly to customers' requests for service". How the employee actually performs is observed by you over a fixed time period, resulting in a final evaluation that is documented on a form. These evaluations should be shared with the subordinate. The process ends with recommendations from you to the higher management for one or more administrative decisions regarding the employee, such as his promotion, a salary increase, training or any other.

Figure 1. The PA Scenario as an Organisational Event



(Source: Dewries, D.L. et al.: Performance Appraisal on the Line. John Wiley & Sons, 1981)

11.3 JOB PERFORMANCE AND PERFORMANCE MEASUREMENT

Most PA systems are designed to measure individual job performance. Defining job performance in an organisation at the individual level is often a difficult process. This attempt, however, is based on the following assumptions:

1 If production can be measured, there is less need for employee appraisal, because each person can be judged according to the amount produced. But, if the work performed cannot be measured, the personnel characteristics which lead to increased productivity and contribute to employee performance must be determined.

It is assumed here that there are traits and characteristics which lead to productivity. These traits and characteristics can be perceived, isolated, measured and evaluated. The following characteristics are generally accepted as meritorious bases for appraisal: work quality, reliability, cooperation, job knowledge, initiative, attitude, safety consciousness, attendance, learning ability, health and physical condition, adaptability, judgment and responsibility.

Although job performance involves identifying appropriate criteria, performance measurement involves how performance criteria, once defined, will actually be measured. Most organisations, in fact, depend on judgmental indices of job performance for performance measurement. When you depend on judgmental indices, the PA measurement is susceptible to numerous problems of rater accuracy and dependability.

List the performance criteria of your own job.

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It is important that you should be aware of the problems that can affect the validity and dependability of the PA systems.

Performance appraisals are intended to evaluate the performance and potential of employees. Still, they may not be valid indicators of what they are intended to assess because of a variety of limitations on their use.

1) The halo effect: The tendency of the evaluators to base assessments of all individual characteristics on the rater's overall impression of the person being evaluated is termed 'the halo effect'. The individual characteristics are presumed to be independent of each other and in effect, the halo effect is the tendency to generalise from a predetermined overall impression for the appraisal of specific traits and characteristics.

ii) **Bias:** Very often, your appraisal may become invalidated because of your own biases as an appraiser. You may be biased for several reasons such as regional or religious backgrounds, social or interpersonal conflicts. It may also happen that you, as an evaluator, do not like the person you are evaluating. Bias may also be a factor of time. Recent experiences are more likely to impress, while there is a tendency to forget or overlook more distant events.

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However, since they lack specific job-related definitions, trait-rating scales are extremely vulnerable to errors such as halo, strictness, leniency, and central tendency that severely affect the validity and reliability of the ratings.

Ranking Procedures

In such a procedure, you are required to provide an overall evaluation of performance either by checking one of the following categories: Top 1%, Top 3%, Top 5%, Top 10%, Top 30%, Top 50% (Typical), Bottom 30%, Marginal, and Unsatisfactory. Alternatively, you can distribute your employees along a scale on the basis of performance or simply list employees' names in order of effectiveness on particular dimensions.

Although ranking procedures often show reasonable inter-rater reliability and eliminate other rating errors such as central tendency, they are typically not based on specifically defined measures of job-relevant performance.

Critical Incident Methods

While using a critical incident method, you must document the positive and negative behavioural events that have occurred during a given performance period. The objective is that you can use this information to review performance as a series of positive/negative behaviours related to a job.

This approach requires a great deal of inference on your part as a rater to determine which incidents are critical to job performance, and hence subject to all the problems relating to subjective judgments.

Behaviourally based Scales and BARS

Behavioural Anchored Rating Scales (BARS) are descriptions of various degrees of behaviour with regard to a specific performance dimension. The behaviours, specifically defined, provide you the anchors for rating scales.

Although these scales represent job-relevant dimensions of performance, they still pose problems for you in determining which actually observed behaviours match with specifically anchored performance scales. Despite this difficulty, BARS are a significant improvement, since they require less inference on your part as a rater than traditional trait-rating approaches.

The BARS procedure typically involves five steps:

1 Critical incidents

Individuals who are knowledgeable of the job in question (incumbents and supervisors) describe specific examples of both effective and ineffective job behaviours.

2 Performance dimensions

The behavioural incidents are clustered into a smaller set of performance dimensions (usually five to ten).

3 Retranslation

Another group of job-knowledgeable participants assigns each incident to the dimension that best describes it. Those incidents meeting some predetermined percentage of agreement with the group in step 2 regarding placement (typically 50–80%) are considered to be retranslated.

4 Scaling incidents

The same group as in step 3 rates the behaviour described in each incident in terms of effectiveness or ineffectiveness on the appropriate dimension by typically using seven or nine-point scales. Average effectiveness ratings for each incident are then determined and a standard deviation criterion is set for determining which incidents will be included in the final anchored scales.

5 Final instrument

A subset of the incidents that meets both the retranslation and standard deviation criterion is used as a behavioural anchor for the final performance dimensions. A final BARS instrument typically comprises a series of vertical scales (one scale per dimension) that are anchored by the included incidents. Each incident is placed on the scales based on the rating determined in step 4.



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11.6 MAKING PERFORMANCE APPRAISALS MORE EFFECTIVE

Performance, monitoring
and appraisal

If performance appraisals are to be successful, they should

- i) be based on performance standards
- ii) result in a face-to-face performance review, and
- iii) be based upon multiple assessments.

Result-oriented Schemes

Result-oriented schemes embody the principles developed by Douglas McGregor and the management by objectives (MBO) philosophy based on Peter Drucker's writings. McGregor suggested that the emphasis should be shifted from appraisal to analysis. This, according to him, implies a more positive approach. The subordinate is no longer being examined by the superior to determine the former's weaknesses; rather the subordinate is examining himself in order to define not only his weaknesses, but also his strengths and potentials. He becomes an active agent, not a passive object. The aim is to relate assessments to a review of performance against specific targets and standards of performance agreed jointly by the superior and the subordinate. This procedure has the following advantages:

- i) The subordinate is given the opportunity to make his own evaluation of the results he obtains. When the subordinate is discussing results and the actions that produced these results with you, he is actually appraising himself and gaining insight on how he can improve his own methods and behaviour.
- ii) Your job as a manager shifts from that of criticising the subordinate to that of helping him to improve his own performance.
- iii) It is consistent with the belief that people work better when they have definite goals which they must meet in specified periods.

Performance Reviews

The purpose of performance review is to analyse what a person has done and is doing in his job in order to help him to do better by developing his strengths or by overcoming his weaknesses. The phrase performance review suggests a deliberate stocktaking exercise. This stocktaking is an analysis of the actual performance based on the predetermined goals and standards.

Counselling

Counselling is a vital part of performance reviews if they are to achieve their prime purpose of helping people to improve and develop. Unless carefully and sensitively handled, your subordinates become more dissatisfied after your counselling than they were before. In a well-conducted performance review session, you should ensure that the employee discusses work problems and he should be encouraged to bring out his own solutions to them. This will provide the intrinsic motivation that can be derived from work itself and the process of tackling work problems.

However, it is important to remember that effective counselling requires the use of skills which few managers are likely to acquire in the normal course of the work. It is essential, therefore, that you should acquire the necessary skills through proper training and practice under guidance.

Potential Reviews

A meaningful exercise in performance appraisal should include a review and appraisal of potential. The review of potential is concerned with forecasting the direction in which the subordinate's career can and should go and the rate at which he is expected to develop.

The assessment of potential requires an analysis of existing skills, qualities and how they can be developed to the mutual advantage of the company and the employee. There is also an important counselling aspect to the review of potential which consists of discussions with the individual about his aspirations and how these can best be matched to the future foreseen for him. These discussions are a vital part of the

procedure because they can provide you with information about your employees' feelings on the subject, which may have a direct impact on plans for development, including training and job rotation. They can also provide employees with additional motivation and encouragement which they need to remain with the company.

Using Multiple Appraisals

To reduce problems of validity and reliability, it may be more useful to use multiple ratings rather than single evaluations. While the rating of one supervisor may not be valid, the overall pattern of several ratings do provide an indication of overall performance and potential for development. Peer ratings, self-ratings and subordinate-ratings are various attempts that have been made recently to improve the PA systems. More positively, self-ratings may be useful to include, because employee participation can improve the quality of the PA process. In fact, the more objective methods like MBO and goal-oriented procedures necessarily include self-rating as an important part of the overall appraisal of performance and potential.

11.7 SUMMARY

This unit was meant to sharpen your understanding of performance appraisal system as a managerial tool. Appraisal has been dealt with in this unit, primarily as a fundamental process of communication, and also as a technique of organisational intervention.

It has attempted to increase your sensitivity as an appraiser by bringing into focus the manifold problems that beset the PA systems and methods.

Finally, it ought to have increased your skill in evaluating the performance of others more systematically and objectively.

11.8 SELF-ASSESSMENT TEST

- Explain briefly the problems of validity in the PA system.
- Briefly examine advantages of MBO for evolving a more objective PA system.
- Construct a BARS for evaluating the performance of your subordinates.

11.9 KEY WORDS

Performance Appraisal: A systematic assessment of an individual performance in order to assess the changing needs, potential for promotion or salary review, etc.

Behavioural Anchored Rating Skills (BARS): These are descriptions of various degrees of the behaviour with regard to a specific performance dimension.

Performance Review: A formal process of assessing the actual performance of a worker as compared to pre-determined goals and standards.

Counselling: Personnel function concerned with giving practical help to employees on personal problems, both at work and in their private lives.

11.10 FURTHER READINGS

- Devries, D.L. et al.: 1981, *Performance Appraisal on the Line*, John Wiley & Sons: New York.
- Henderson, R. 1984, *Practical Guide to Performance Appraisal*, Reston Publishing Company:

BLOCK 4 COMPENSATION PLANNING

It is extremely important that the employees should be adequately paid for their services. You as a manager, should be able to plan, develop and administer an efficient system of compensation. Compensation planning has as its primary objective the creation of a system of remuneration which is equitable from the viewpoint of both the employer and the employee. The determination of a rational wage policy is dependent upon not only the internal issues of equity and job worth, but also on the larger issues of economy and society.

The first unit in this block on "Economic Background and Staff Compensation" will take you through an examination of the need for evolving a wage policy, the major components of the pay structure of the Indian Industrial Worker, the various methods of wage payment and wage fixation. It is often difficult to adequately compensate the employees merely by financial payment. In fact, monetary wages paid for the services are grossly inadequate for the employee to support and maintain himself and his family, especially in the event of crises of various kinds.

The second unit on "Laws and Rules Governing Employees' Welfare and Benefits" will discuss the various statutory and non-statutory schemes of social welfare measures and social security benefits. A compensation system should be able to attract and retain good talents. In other words, compensation has a motivational aspect as well. The primary function of a compensation is to integrate job worth, individual job performance and the external market forces. Your compensation system should be internally equitable and externally competitive.

The third unit on "Compensation and Salary Administration" is an attempt to familiarise you with the systems and procedures of designing and administering salary systems.

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UNIT 12 ECONOMIC BACKGROUND AND EMPLOYEE COMPENSATION

Objectives

After studying this unit, you should be able to:

- define the rationale of a wage policy
- identify the major components of pay packet
- identify the methods of wage payment
- identify the methods of wage fixation
- design wage incentive schemes
- develop productivity-linked bonus schemes.

Structure

- 12.1 Introduction
- 12.2 Need for a Rational Wage Policy
- 12.3 Components of Industrial Pay Structure
- 12.4 Methods of Payment
- 12.5 Methods of Wage Fixation
- 12.6 Summary
- 12.7 Self-assessment Test
- 12.8 Key Words
- 12.9 Further Readings

12.1 INTRODUCTION

You as a manager would probably give employee compensation the first place in your priority list, and rightly so. Employee compensation is an extremely important issue for every manager, and over the years compensation has become a complicated issue. Not only are the issues of internal equity and justice important, but also the larger issues of the wider economy and society impinge immediately on the problem of compensation. In this unit we shall attempt to unravel the complexities of employee compensation, and examine the important dimensions of the rationale of wage policy, the components of pay packet, methods of payment and wage fixation.

12.2 NEED FOR A RATIONAL WAGE POLICY

Formulation of rational wage policy has always been one of the most significant social demands. Initially as an economic issue it was mainly the concern of the employer. But, with the industrial progress and subsequent industrial balance between employers and employees, wage bargain has become a matter for the three-fold concern of the employer, employee, and the state.

Any rational wage policy has to be woven into the socio-economic texture reflecting the objectives and aspirations of the people of a particular country. It cannot be dealt with on purely economic considerations in isolation from the social policy and political culture of that particular community.

Problems of wage policy should be of great concern to employees, management and the government alike. The pressures of rising prices encroach on the living standards of employees; the demand for higher wages and better working conditions creates price, market and production problems for the management; and the final burden of finding a solution to the problems of wage policy ultimately falls on the government.

Economic Objectives of Wage Policy

An important objective of any society is the achievement of maximum economic welfare. This requires first, that the national income shall be maximised, secondly that the national income should be divided equally among all the members of the economy, and thirdly there should be a fair amount of stability in the national income.

In general, economic welfare will be maximised if the highest and most stable standard of living possible for each section of the community is attained. In order to secure this, it is necessary to achieve: (1) the full employment and optimum allocation of all resources; (2) the highest degree of economic stability consistent with an optimum rate of economic progress; and (3) maximum income security for all sections of the community. The major objectives of wage policy must be aimed at attaining these conditions.

The Social Objectives

A given wage policy must be instrumental in achieving:

- i) the elimination of exceptionally low wages,
- ii) the establishment of "fair" labour standards,
- iii) the protection of wage earners from the effects of rising prices, and
- iv) the incentive for workers to improve their productive performance.

The social and economic objectives, no doubt, are closely inter-related. Measures inspired by social considerations inevitably have economic effects, and those designed to achieve specific economic results have social implications. For example, the raising of wages through fixing a statutory minimum wage will normally affect production and employment in your organisation; and if you take measures to keep costs of production at a competitive level it may frustrate the aspirations of your employees.

Keeping the above facts in mind, it is essential that wage policy should be necessarily inter-related with broader economic decisions on the one hand, and with the goals set for social policy on the other. Wages, being a price for labour, have to be in harmony with other prices in the system. Hence it becomes necessary to maintain a balance between the objectives of economic development and the principles of a democratic system in the formulation of a wage policy. As we shall see in the course of this unit these demands make it a complex exercise.

Activity A

Try to analyse the wage policy in your organisation by examining the rationale behind the existing practice.

[illegible]

12.3 COMPONENTS OF INDUSTRIAL PAY STRUCTURE

As you know, an industrial pay packet in India consists of several elements: basic wage, dearness allowance, house rent allowance, city compensatory allowance, annual statutory bonus, and incentive bonus. The basic wage, dearness allowance and the annual bonus make up the bulk of average worker compensation. A wide range of statutory and non-statutory institutions influence the determination of basic wage, dearness allowance and the annual bonus. Governmental machineries such as the industrial tribunals, labour courts and national tribunals have profoundly influenced the course of pay structure. Therefore, an understanding of the pay structure itself should give us an insight into wage determination.

Basic Wage

Basic pay is a stable wage paid over a period of time. This could be on a monthly, weekly or daily basis. This pay is the normal rate for a given level of output. It is the price to be paid to get a given job done. It usually progresses over time.

Basic wage is built upon the statutory minimum wage, the awards of the industrial tribunals and the directives of the pay commissions at the national and state levels and by collective bargaining. This minimum wage, according to the recommendations of the 1949 Report of the Fair Wages Committee appointed by the Government of India, should provide not merely for the bare sustenance of life but for the preservation of the efficiency of the worker by providing some measure of education, medical requirements and amenities.

It was after the end of the Second World War that industrial tribunals and courts have set the pattern of the basic wage in industries through awards given in settlement of industrial disputes. Basic wage of an industrial worker based on a "standard budget" concept for a family of four, should include food, clothing, housing and fuel. An underlying assumption behind the basic wage legislation is that the industry does not have the right to exist unless the minimum needs of the worker are met. We shall discuss more of this in a later section on 'Methods of Wage Fixation'.

Dearness Allowance

The system of dearness allowance (DA) was instituted after the First World War as a result of steep rise in prices of essential commodities. The DA was to protect the wage earners' real income by neutralising the increased cost of living. The DA, therefore, was to give relief to the worker in inflationary conditions, by trying to offset the cost of living with an additional allowance. However, wide variations exist in the fixation of DA. Nevertheless, we shall attempt to identify some methods of payment of DA primarily by examining some important questions. The first question that may be asked is, should the payment of DA be made automatic upon the movement in the cost of living? A related problem would be, should the industry's ability be a relevant factor? Another important question is, at what level should the price increases be compensated: should the neutralisation be 100 per cent?

In general, there are two systems of DA payment: one is a flat rate system of neutralisation, and the other linking the payment of DA to the consumer price index. The flat rate system provides a lump-sum payment to the employees over a period of time to adjust for the growth in inflation. The system is simple and easy to administer.

The consumer price-linked system, on the other hand, attempts to neutralise the actual increase in the cost of living. This method, as you can see, is more realistic because it regulates the payment of allowance on the basis of actual price movement in a given region. There are two variations of DA tied to the consumer price index. First, a specified rate of DA is fixed for every point rise in the price index, regardless of the income groups. In this system, all employees receive the same amount of allowance, but the lower paid would then get a higher proportion of their basic as DA.

The second form is based on income groups and cost of living brackets or "slabs". In this method, the absolute amount of allowance increases with each higher income group related to changes in the brackets of price index as opposed to each point; at the same time, the magnitude of relief as a proportion of basic pay is steadily reduced with

each higher income group. The advantage of the DA-income slabs is that it introduces an element of stability, because the allowance does not change with every point in the cost of living index.

Employer's Ability to Pay

An important issue of dispute between labour, management and industrial tribunals has been whether the employer's ability is relevant to the payment of DA. Industrial tribunals have consistently held the view that the employer's paying ability is a major factor in the payment of DA and thus the Indian adjudicators of the DA question have favoured the position of the employer.

The Problem of Neutralisation

How much of the price increase should be neutralised has been a matter of controversy in India since the Second World War. Industrial tribunals have supported full neutralisation in principle for low-wage workers; but the range of recommended neutralisation has been 50-90 per cent of the price increase. The tribunals have been governed by the following considerations:

- 1 The recognition that the industry's paying capacity does not permit full neutralisation.
- 2 Full neutralisation is feared to lead to more inflation.
- 3 Employees, like other groups in society, should share in the hardships caused by inflation.

Activity 3

Take the DA component of the pay packet of the non-executive employees in your organisation and work out the degree to which the DA is related (neutralises) to the consumer price-index.

Profit-sharing Bonus

Payment of bonus is an annual issue which every employee eagerly looks forward to. The payment of annual bonus is a constant source of friction every year in India. It has some unique features. From an ex-gratia payment, it has become obligatory. There are statutory minimum and maximum limits on the amount of bonuses to be paid to the employees.

During the First World War employers (of textile industries in Bombay and Ahmedabad) paid up to 15% of the basic wage as bonus to the workers, and the practice to compensate workers for the rise in the cost of living continued. However, in 1923 the employers announced that they would not be able to pay bonus because of deteriorating trade conditions. This case was referred to the Bonus Disputes Committee appointed by the Government of Bombay. The Committee came to the conclusion that the workers' claim for bonus could not be upheld in a Court of Law as the textile industry in the country did not show profits.

Immediately after the Second World War, enterprises began to show large profits while the prices of essential commodities rose rapidly. Bonus disputes increased in large numbers. The Government of India appointed a Committee on Profit-Sharing (1948) under Rule 81-A of the Defence of India Rules for compulsory adjudication of disputes. The Committee could not arrive at a unanimous recommendation. Under the provisions of the Industrial Disputes Act, in 1950 the Labour Appellate Tribunal was set up for the settlement of all bonus disputes. The tribunal developed the "full bench formula" as a basis for payment of bonus and was approved by the Supreme Court. The formula suggested that the surplus available after deducting five items (like national depreciation, income-tax, return on paid-up capital, return on reserves and amount for rehabilitation) from the gross profits will be distributed as bonus to the workers.

The Bonus Commission appointed by the Government of India in 1961 recommended that a minimum 4% of basic plus DA and a maximum of 20% to be paid as bonus. Based on the recommendations of the Bonus Commission, the Payment of Bonus Act, 1965, was promulgated for the payment of bonus to employees with a salary upto Rs. 1600 p.m. This limit has been raised to Rs. 2500 through an Ordinance in 1985. The objective of the Payment of Bonus Act, 1965, was to introduce a new formula for calculating bonus with limits of minimum and maximum and a principle of "set-on and set-off" to smoothen the inequalities of payment over a number of years (see Appendix 1 for calculation of bonus under the Payment of Bonus Act, 1965). According to the principles of set-on and set-off the deficit of one year could be set-off against the surplus of the subsequent years and the surplus over the maximum amount payable, i.e. 20% of the wages, would be carried over to the next year. This process could continue for a cycle of four years.

The outstanding feature of the Bonus Act, 1965 is that the payment of minimum bonus was made obligatory on the part of the employer, whether his organisation made a profit or not. In the same process, bonus became a matter of right for the employees. The Act applies to factories, and all other private and public sector establishments which employ more than 20 persons.

The Payment of Bonus Act, 1965 was amended in 1969, 1972, 1975, 1977 and 1980. According to the 1969 amendment the tax relief in respect of the bonus paid or payable in an accounting year was to be included in the available surplus of the succeeding accounting year, which would be shared between the employers and employees. The 1972 amendment raised the minimum bonus to 8.33% regardless of profits or losses. The 1975 amendments introduced a new character to the concept of bonus. Bonus was no longer to be considered as a deferred wage but was to be linked to profits. Bonus payment was to be based on productivity. Among the other important features of this amendment included:

- 1 Minimum bonus was reduced to 4%. If the company made no profit, it had no compulsion to pay the minimum bonus.
- 2 Negotiations to get bonus in excess of 20% were sought to be positively discouraged.
- 3 Employees in Banks, LIC, Ports and Docks, and non-competitive public sector undertakings could receive an ex-gratia payment up to a maximum of 10% in lieu of bonus.

The 1977 amendment once again declared bonus as deferred wage, although at the same time it put emphasis on promoting bonus agreements based on increases in productivity. It also fixed the minimum bonus at 8.33% of salary earned during the relevant year and the maximum at 20%. Employees of Banks, LIC, Ports and Docks and non-competitive public establishments were to be paid ex-gratia amount not restricted to 10% but between 8.33% and 20% based on bargaining.

The 1980 amendment sought to make 8.33% bonus as a permanent feature and made the banking companies and the Industrial Reconstruction Corporation of India bound to pay bonus. In March 1980, a national seminar deliberated on linking bonus to productivity, and came to the conclusion that it was difficult to evolve a common formula for productivity-linked bonus. The major reason behind this view is the fact that productivity depends on many factors other than workers' contribution. However, many industries, both in the private and public sector, have been attempting to work out bonus schemes based on productivity/production.

You may follow the following steps for developing a productivity linked to a bonus:

Step 2: Fix the production or output base over which bonus is paid.

Step 3: Determine the relation between production/productivity and bonus.

Develop a production/productivity-linked bonus scheme for your organisation, using the formula for calculation of available surplus.

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By virtue of being the member of an organisation, an employee receives a number of other benefits, some in cash and some in kind. These are generally referred to as perquisites or fringe benefits. Many of these have no direct link to the work or output of a worker. Over the years, some of these have become statutory. These include:

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These perquisites are provided to enhance the employees' motivation and loyalty to their organisation. In many cases these may be the result of a collective agreement at the initiative of trade unions. We shall deal with these benefits in greater detail in the unit on "Laws and Rules Governing Employee Benefits and Welfare".

12.4 METHODS OF PAYMENT

You may compensate your employees on the basis of time rate system, payment by results or measured day work. Let us look at each of these systems.

Time Rate System

Under this system the employees are simply paid a predetermined rate per week, or hour for the actual time they have worked. The basic rate for the job can be fixed by negotiation, by reference to local rates, or by job evaluation. This system is prevalent in the engineering and processing industries and among clerical, supervisory and managerial personnel where there is no rigid standardisation of work, and a certain amount of skill is involved. Within the time paid for, a minimum standard of performance is expected.

From the point of view of employees, the advantage of time rates are that earnings are predictable and steady. Moreover, they need not argue with supervision and rate-fixers about piece rate or time allowances.

The disadvantage of time rates is that they do not provide the motivation of a direct incentive relating the reward to the effort. You can overcome this problem of incentive by adopting a system of measured day work, which we shall discuss a little later. Alternatively, you may also use some form of merit award. Merit awards may be in the form of additions to the base rate of so much per hour, usually with an upper limit. They may be awarded on the basis of the purely subjective judgment of a superior, or determined by reference to systematic merit assessment procedures which will review the workers' performance in terms of output, skill, versatility or time keeping.

Payment by Results System

Under this system the pay or part of the pay is related to the number of items a worker produces or the time he takes to do a certain amount of work. It is applicable to simple manual operations, where the effort of an individual can be measured in terms of quantity or quality. This may be through a straight piece-work or a differential piece-work system.

Straight Piece-work is payment of a uniform price per unit of production. This is most appropriate where production is repetitive in character and can easily be divided into similar units. In this system, you can pay a worker a flat money price for each piece or operation completed (money piece-work), or you can pay him for the time allowed to complete a task (time piece-work). In the latter case, if the worker completes the job in less than allowed time he gains the advantage of time saved.

Differential Piece-work Systems allow you to adjust wage cost per unit in relation to output. In this system the wages cost per unit of production falls as output increases. At the same time the hourly rate of workers' earnings still increases, although not in proportion to the increased output. This system is possible where it is easy to relate effort to production and the work is standardised, repetitive and measureable. You should keep quality in mind while adopting the piece rate system.

Measured Day Work

In this system the pay of the employee is fixed on the understanding that he will maintain a specified level of performance. The pay does not fluctuate in the short-term with performance. You can define the required level of performance and monitor the actual level with the help of work measurement methods. What distinguishes this system from the time rate system is the concept of an incentive level of performance. You are putting the employee under an obligation to perform at the effort level required by the guaranteeing the incentive payment in advance.

measured day work offers enhanced earnings in exchange for an incentive level of performance. The following criteria may be useful for its successive operation:

- total commitment of management, employees and their unions. This can be achieved by careful planning, joint consultation, training, and a phased introduction of the system
- an effective work measurement system, and efficient production planning and control and inventory control procedures
- the establishment of a logical pay structure with appropriate differentials from the beginning of the scheme's operation. The structure should be developed by the use of job evaluation and in consultation with the employees.
- the maintenance of good control systems to ensure that corrective action is taken quickly if there is any shortfall on targets.

Yet another method of payment is incentive schemes. We shall have a brief look at wage incentives:

Incentive Schemes

While wage incentives increase the earnings of workers, they can at the same time improve the efficiency of your organisation. Improving efficiency will naturally lower your costs. The Study Group of the National Commission on Labour recommended that wage incentives should be used for effective utilisation of manpower, which is the cheapest, quickest and surest means of increasing productivity. It further stated that the only practicable and self-sustaining means of improving manpower utilisation is to introduce incentive schemes and stimulate human effort in order to provide a positive motivation to greater output.

What is a Wage Incentive?

Wage incentives are extra-financial motivation. A wage incentive scheme is the payment for work of an acceptable quality produced over and above a specified quantity or standard. You can apply an incentive scheme to an individual, a group or to all employees in your organisation.

It is important to remember that you are paying your employees an incentive for a better standard of performance. Therefore, in all incentive schemes you must fix a 'standard'. And, of course, you must use your discretion in introducing an incentive scheme and fixing the standards of performance. But while doing this you must also ensure the acceptability of your scheme by the workers and their unions.

Fixing the Standard

You may fix the standard by taking the average performance of the previous years and adding to it the percentage you consider necessary to bring it to an acceptable level. There are also scientific methods available to you for this purpose. Let us have a look at some of them below.

Time Study involves the following steps:

- Break down the operation into distinct units.
- Calculate the production time when the worker is actually working.
- Rate the level of performance of an employee in comparison to that of a normal worker or group involved in the same process of production.
- Arrive at the normalised effective time for the operation.
- Evolve the standard time by making allowances for fatigue etc.

Work Measurement includes the time study method. Other work measurement techniques are:

Synthetic data: You may be in possession of data from previous studies of operations, similar to those for which you are intending to make an incentive scheme. Using these data and making some adjustments and synthesising available facts you can draw up a new incentive scheme.

Analytical estimation is a process in which you can estimate a reasonable standard time for each job by comparing it with previous data derived by work measurement techniques. This is more applicable to non-repetitive jobs.

Activity sampling: Percentage of working time is determined by making a large number of observations of the production process, the worker etc. at random intervals.

A scientifically designed and systematically administered incentive scheme can be an effective method to stimulate workers to greater productivity. Workers get motivated to perform efficiently. They also feel satisfied that they are being rewarded for the extra effort and efficiency.

Activity D

Identify an area of operation in your organisation where wage incentives can be introduced and design an appropriate incentive scheme.

12.5 METHODS OF WAGE FIXATION

When we talk about wage fixation, especially with reference to India, we must consider the concepts of a minimum wage and living wage. As you are aware, in India several methods are used in fixing the workers' wages. Different bodies like the pay commissions, wage boards, industrial tribunals and labour courts are engaged in this exercise. Wages are also fixed through collective bargaining and job evaluation.

There are a variety of ways through which you can arrive at an agreement about wage rates and other related perquisites. In order to arrive at a realistic wage rate, you must look at the labour market to gather information on the current rate at the various levels of skills that you wish to employ people. You should also have the knowledge of the comparative wage rates in similar organisations for similar skills. Of course, your organisation's ability/capability to pay will be an important criterion while fixing the wages. Let us look at some of the methods used for wage fixation.

Legislation

The Industrial Policy Resolution distinguished between "sweated" industries and "organised" (Unionised) industries. The Resolution recommended that the sweated industries should be protected by a minimum wage legislation which was enacted in 1948. The Resolution recommended promotion of fair wage agreements between employers and employees through tripartite boards. The Government of India appointed a Tripartite Committee on Fair Wages representing labour, employers and government. In its report submitted in 1949 the Committee distinguished minimum wage, living wage, and fair wage.

A **minimum wage** was to provide not merely for bare sustenance of life but for the preservation of the efficiency of the worker. It must also provide for some measure of education, medical requirements and other amenities.

A **living wage** should enable the male wage earner to provide himself and his family not merely the bare essentials of food, clothing and shelter, but the minimum comfort including education for the children, protection against ill-health, requirements of essential social needs, and insurance against the more important misfortunes including old age.

A fair wage was to decide the lower flooring of the wage not less than the minimum wage, and the upper ceiling was to be set by the capacity of the industry to pay.

Between these two limits, the actual wage should depend on:

- 1 the productivity of labour;
- 2 the prevailing rates of wages in the same or similar occupation in the same or neighbouring localities;
- 3 the level of national income and its distribution; and
- 4 the place of the industry in the economy of the country.

However, it was only in 1957 that the Indian Labour Conference (ILC), a tripartite national body representing government, labour, and management, decided to use the "need" criterion for defining a minimum wage. This was need-based ensuring the minimum human needs of the industrial worker, irrespective of any other considerations. To calculate the minimum wage, the Conference recommended the following norms:

- 1 The need-based minimum wage must be calculated for a working class family consisting of three adults, supported by a single worker—a total of four consumption units;
- 2 Minimum food requirements should be calculated on the basis of a daily intake of 2,700 calories per adult engaged in moderate activity;
- 3 Clothing requirements should be estimated on the basis of per capita annual consumption of 18 yards of cloth, amounting to 72 yards for an average family;
- 4 Housing needs should be calculated on the basis of house-rents charged by the government for houses that it provides to its employees under the subsidised industrial housing schemes for low-income groups; and
- 5 Expenses on light, fuel, and other miscellaneous items should approximate 20 per cent of the total minimum wage.

One of the obvious difficulties in implementing a need-based norm originates in giving monetary content to physical units. The successive Pay Commissions have been providing money estimates for need-based wages. The Boothalingam Committee on Fair Wage observed in 1978 that the real minimum wages could only be the absolute national minimum, irrespective of sectors, regions or states below which no employment would be permitted. The national minimum wage was to be fixed after considering (1) its effect on the generation of employment, (2) the existing wage earnings in the small-scale sectors, and (3) the effect on the unorganised sector. The wages fixed under the Minimum Wages Act were also to be revised every three years. The fixation of the need-based minimum wages was meant only to set a "minimum" standard. It would not affect any higher wages already prevalent, deter an organised effort for higher wages, or prevent the supply-demand factors from regulating wages. On the other hand, the Payment of Wages Act ensures that the worker receives his wages for the month he has worked within a certain date of the next month and that no unauthorised deductions are made without his sanctions.

Wage Boards

The setting up of tripartite wage boards for fixing wages was recommended by the First Five Year Plan. The first wage boards was set up in 1957 for the cotton textile industry, and gradually tripartite wage boards became the principal machinery for wage fixation in the organised sector in India.

The National Commission on Labour (1969) had constituted a Committee to study the functioning of the wage boards. The Committee suggested that the wage boards should (i) create a climate for harmonious industrial relations; (ii) safeguard the interests of the community and to represent consumer's interests; and (iii) derive standardised wage structure for the concerned industry.

A wage board is a non-statutory body consisting of representatives of employers and employees headed by an independent chairman. An equal number of representatives of employers and employees are appointed by the government. The chairman nominated by the government is usually a serving or retired Judge.

The procedure: A duly constituted wage board first issues a detailed questionnaire to collect information from the concerned parties. The board assesses the views of the parties and makes its recommendations regarding wage structure. The wage structure

recommended by a board is in operation for five years. However, the management is not statutorily bound to implement the recommendations.

Job Evaluation

Job evaluation is a systematic method of appraising the value of each job in relation to other jobs in your organisation. Job evaluation based on a job analysis and description helps to identify with precision the key tasks and responsibilities of the job. We have discussed in detail the techniques and processes of job analysis and job evaluation in your unit on "Job Description, Analysis and Evaluation".

The objective of a job evaluation as you have learnt from the above mentioned unit, is to establish the relative degree of skill complexity of each job. This is achieved by using any of the methods discussed in the lesson on job evaluation. By this process you are able to grade all the jobs and then translate the data on the jobs graded into a pay structure, with grades and rates of pay. The techniques and processes of planning and administering the wage and salary systems are discussed in detail in your unit on "Compensation and Salary Administration".

12.6 SUMMARY

This unit has attempted to explain the rationale of a wage policy. An effective wage policy should be one which is based on properly defined socio-economic objectives. It has also tried to explain to you the various components of an industrial pay structure, the methods of payment and incentive schemes and the methods of wage fixation.

It has attempted to familiarise you with the various statutory requirements of the Indian wage fixation and wage payment, and the processes of designing incentive schemes and calculating productivity-linked bonus.

12.7 SELF-ASSESSMENT TEST

- Briefly explain the major components of the pay packet of an Indian industrial worker.
- Examine the unique features of the annual bonus in Indian industry.
- Briefly explain the various methods of wage fixation.
- Examine the steps involved in designing a wage incentive scheme.

12.8 KEY WORDS

Wage Policy: principles acting as guidelines for determining a wage structure.

Labour Court: an adjudicating authority dealing with disputes relating to standing orders, discharge, dismissal, strike and lockout.

Industrial Tribunal: an adjudicating authority dealing with disputes relating to wages, allowances, hours of work and holidays, discipline, retrenchment, closure of establishment, bonus, provident fund and gratuity.

National Tribunal: an adjudicating authority dealing with the same issues as industrial tribunal but have a national importance affecting industrial establishments in more than one state.

Adjudication: A judicial process by which the presiding officer of a labour court, industrial tribunal or a national tribunal, after hearing the parties involved, pronounces his award.

Job Evaluation: the process through which the relative worth/value of a job is determined.

Minimum Wage: wage sufficient to sustain and preserve the efficiency of the worker

and to provide him the basic amenities such as education, medical care and other needs.

Living Wage: wage sufficient for a male worker to support himself and his family by providing the basic necessities of life.

Sweated Industries: industries whose workers are not organised through trade unions.

Tripartite Wage Board: a non-statutory body consisting of representatives of employees, employers and the government.

12.9 FURTHER READINGS

Dayal, S. 1980. *Industrial Relations System in India*, Sterling Publishers Private Ltd.: New Delhi.

Armstrong, M. and Helen Murlis. 1980. *Salary Administration*, Kogan Page Ltd.: London.

Pay Commission Reports of the Government of India (various years).

APPENDIX I

Calculation of Bonus

Calculation of gross profits

Gross Profits = net profits + bonus to be paid + depreciation + direct taxes + development rebate + bonus paid in the last accounting years + donations + capital expenditures and losses + income profits or gains credited directly to revenues.

Add all these items and deduct the following:

Capital receipts and profits + profits and receipts relating to business outside India + income of business outside of India + expenditures or losses debited to reserves + refund of any direct tax + subsidy received from the government, if any.

Calculation of available surplus

(Out of which bonus payment is made)

From Gross Profits, deduct provision for:

(a) depreciation, (b) rebate, (c) income tax payable, (d) return on paid-up capital, (e) return on reserves used on working capital = Available Surplus (AS) 60% of the available surplus is Allocable Surplus which will be distributed as bonus for an Indian concern. In the case of a foreign concern situated in India it is 67% of the available surplus.

In the calculation of available surplus, the first three items ('a' to 'c') to be deducted are common to all the five categories of employers, namely, banking companies, companies other than banking, corporations, cooperative societies, or any other companies not falling under the above four. The percentage of paid-up share capital, and reserves (items 'd' and 'e') differ according to the Payment of Bonus Act, 1965.

UNIT 13 LAWS AND RULES GOVERNING EMPLOYEE BENEFITS AND WELFARE

Objectives

Once you have completed this unit, you should be able to:

- identify the objectives and merits of labour welfare measures and social security benefits
- identify the laws and rules that prescribe welfare measures and security benefits
- distinguish between statutory and voluntary welfare measures
- distinguish between extra-mural and intra-mural welfare measures.

Structure

- 13.1 Introduction
- 13.2 The Concept of Fringe Benefits and Labour Welfare
- 13.3 Objectives of Labour Welfare
- 13.4 Statutory Welfare Provisions
- 13.5 Voluntary Welfare Amenities
- 13.6 Social Security: Concept and Evolution
- 13.7 Summary
- 13.8 Self-assessment Test
- 13.9 Key Words
- 13.10 Further Readings

13.1 INTRODUCTION

As a practising manager, you are fully aware of the strains and stresses of the modern worker, whether in factories, coalmines, plantations or automated offices. He is constantly exposed to tremendous amount of physical and mental stress and accidents of various kinds. No amount of wages can compensate him adequately. He needs an added stimulus and support to meet his requirements and maintain himself and his family. Labour welfare measures and social security benefits are attempts in the direction of supplementing the wages of the industrial worker by providing him extra facilities and benefits. We shall examine the important welfare measures and benefits available to the worker both statutorily and on a voluntary basis.

13.2 THE CONCEPT OF FRINGE BENEFITS AND LABOUR WELFARE

There is no conceptual clarity in so far as a precise definition of the terms of fringe benefits and labour welfare is concerned. In fact a large number of items, irrespective of their nature, are lumped under fringe benefits and welfare programmes. However, the Oxford dictionary defines labour welfare as "efforts to make life worth living for workman". The ILO Regional Conference described welfare to mean "such services, facilities and amenities, which may be established outside or in the vicinity of undertakings to enable the persons employed therein to work in healthy and congenial surroundings and to provide them with amenities conducive to good health and high morale".

The Report of the Committee on Labour Welfare (1969) includes under it "such services, facilities, sanitary and medical facilities, arrangements for travel to and from work and for the accommodation of workers employed at a distance from their homes, and such other services, amenities and facilities, including social security measures as contribute to improve the conditions under which workers are employed".

In other words, labour welfare services include all extra-mural and intra-mural

welfare work, statutory and non-statutory welfare facilities undertaken by the employers, government, trade unions or voluntary agencies. They also include social security measures which contribute to workers welfare such as industrial health, insurance, provident fund, gratuity, maternity benefits, workmen's compensations, retirement benefits, etc.

Labour welfare work can be (i) statutory or (ii) non-statutory (voluntary). Statutory welfare measures, as the term itself indicates, are those services whose implementation depend on the coercive power of the government. This the government ensures by the enactment of certain rules to enforce the minimum standards of health and safety of workers. You, as a manager, would be obliged to fulfil these requirements as they are statutorily enforced on you.

Non-statutory welfare measures include all those activities which you may undertake for the welfare of your employees on a voluntary basis.

A Committee of Experts on Welfare Facilities for Industrial Workers was constituted by the ILO in 1963. The Committee divided welfare services into two groups: (i) welfare amenities within the precincts of the establishment (intra-mural) such as: latrines and urinals; washing and bathing facilities; creches, rest shelters and canteens, arrangements for drinking water, arrangements for prevention of fatigue, health services including occupation safety, administrative arrangements to look after uniform, and protective clothing and shift allowances. (ii) Welfare amenities outside the establishment (extra-mural): such as maternity benefits, social insurance measures including gratuity, pension, provident fund and rehabilitation, benevolent funds; medical facilities including programmes for physical fitness and efficiency; family planning and child welfare; education facilities including adult education; housing facilities; recreational facilities including sports, cultural activities, library and reading room, holiday homes and leave travel facilities; workers' cooperative stores, fair price shops and cooperative thrift and credit societies; vocational training for dependants of workers; welfare programmes for welfare of women, youth and children; and transport to and from the place of work.

13.3 OBJECTIVE OF LABOUR WELFARE

We can identify various objectives for having a labour welfare programme. It could be partly humanitarian to enable your workers to enjoy a fuller and richer life, and partly economic to improve their efficiency, and partly civic to develop among them a sense of responsibility and dignity as noble citizens of the nation.

The humanitarian approach has been gradually dominated by a more utilitarian approach. The latter views welfare through an economic framework. The possible cost benefit to the organisation gains greater concern through improved or quicker output from the employees.

Through well-thought out welfare measures, you can free your employees from the worries of taking care of the basics of living and thereby to devote better attention to the tasks assigned to them. In this process you are enhancing his efficiency and output. Moreover, through an attractive package of welfare measures you can undoubtedly attract and retain better people.

13.4 STATUTORY WELFARE PROVISIONS

These are amenities that are necessarily to be provided to the employees under different labour legislations. The important legislations which call for these welfare provisions include The Factories Act, 1948, The Plantation Labour Act, 1951, Mines Act, 1952, Motor Transport Workers Act, 1961, and the Contract Labour (Regulation and Abolition) Act, 1970.

The Factories Act, 1948

The Act covers areas including health, welfare, safety, working hours, annual leave with wages and employment of women and children.

The Act is applicable to premises including precincts thereof where ten or more workers are employed with the aid of power, or where 20 or more workers are employed without power.

The welfare amenities provided under the act include:

- 1 Washing facilities
- 2 Facilities for storing and dry clothing
- 3 Sitting facilities for occasional rest for workers who are obliged to work standing
- 4 First-aid boxes for cup-boards—one for every 150 workers, and ambulance facilities if there are more than 500 workers
- 5 Canteens if employing more than 250 workers
- 6 Shelters, rest rooms and lunch rooms, if employing over 150 workers
- 7 Creche, if employing more than 30 women
- 8 Welfare officer, if employing more than 500 workers.

The Mines Act, 1952

The mine owners should make provisions for:

- 1 Maintenance of creches where 50 or more women workers are employed
- 2 Shelters for taking food and rest if 150 or more workers are employed
- 3 A canteen in mines employing 250 or more workers
- 4 Maintenance of first-aid boxes and first-aid rooms in mines employing more than 150 workers
- 5 (i) pit-head baths equipped with shower baths, (ii) sanitary latrines, and (iii) lockers, separately for men and women workers
- 6 Appointment of a welfare officer in mines employing more than 500 persons to look after the matters relating to the welfare of the workers.

The Plantation Labour Act, 1951

The following welfare measures are to be provided to the plantation workers:

- 1 A canteen in plantations employing 150 or more workers
- 2 Creche in plantations employing 50 or more women workers
- 3 Recreational facilities for the workers and their children
- 4 Educational arrangements in the estate for the children of workers, where there are 25 workers' children between the age of 6 and 12
- 5 Housing facilities for every worker and his family residing on the plantation. The standards and specifications of the accommodation, procedure for allotment and rent chargeable from workers etc. are to be prescribed in the rules by the State Government.
- 6 Medical aid to workers and their families. The workers are also entitled, subject to any rules framed by the State Governments, to sickness allowance and maternity allowance
- 7 The State Government may make rules requiring every plantation employer to provide the workers with such number and type of umbrellas, blankets, raincoats, or other such amenities for the protection of workers from rain or cold as may be prescribed
- 8 Appointment of a Welfare Officer in plantations employing 300 or more workers.

The Motor Transport Workers Act, 1961

The motor transport undertakings are required to make the following provisions in the areas of health and welfare:

- 1 Canteens of prescribed standard, if employing 100 or more workers
- 2 Clean, ventilated, well-lighted and comfortable rest rooms at every place where motor transport workers are required to halt at night
- 3 Uniforms, raincoats to drivers, conductors and line checkers for protection against rain and cold. A prescribed amount of washing allowance is to be given to the above-mentioned categories of staff.
- 4 Medical facilities are to be provided to the motor transport workers at the operating centres and at halting stations as may be prescribed by the State Governments
- 5 First-aid facilities equipped with the prescribed contents are to be provided in every transport vehicle.

The Contract Labour (Regulation and Abolition) Act, 1970

The contractor is required to provide the following welfare and health measures to the contract workers:

- 1 A canteen in every establishment employing 100 or more workers
- 2 Rest rooms or other suitable alternative accommodation where the contract labour is required to halt at night in connection with work of an establishment
- 3 Provision for washing facilities
- 4 Provision for first-aid box equipped with the prescribed contents.

You may note that the Act imposes liability on the principal employer to provide the above amenities to the contract labour employed in his establishment, if the contractor fails to do so.

Activity A

List the major welfare measures provided in your organisation under statutory conditions.

Let us look at some of the welfare amenities required under statutory conditions.

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Canteen

The Royal Commission on Labour and the Labour Investigation Committee have laid considerable emphasis on the provision of a canteen inside the workplace. The ILO, in its Recommendation 102, mentioned this facility and felt that a competent authority in each country should guide establishments with regard to nutrition, hygiene, finance, etc. In India the Factories Act places the responsibility on State Governments of making rules to ensure provisions of a canteen in any specified factory with more than 250 workers. Workers should be provided representation in the management of canteens. The Commission on Labour Welfare has suggested that canteens should be run on cooperative basis and that legislation should be amended to empower State Governments to make rules to meet the objective of nutrition.

Creches

The need for setting up creches in industrial establishments was stressed by the Royal Commission on Labour in its report way back in 1931. The Factories Act lays down that in any factory with more than 50 women workers a creche should be provided and maintained for children under 6 years in clean and sanitary conditions. The creche should be under the care of women trained in child care. The creche should have adequate accommodation, should be properly lighted and ventilated.

You must note that the State Government is empowered to make rules in respect of standards, equipment and facilities. Mothers should also be given time to feed their children at necessary intervals.

Labour Officer

The Factories Act, 1948, provides for the statutory appointment of a welfare officer in a factory in which 500 or more workers are employed. The State Government may prescribe the duties, qualifications and conditions of service of officers employed. The functions of a welfare officer include the broad areas of (i) labour welfare (welfare function), (ii) labour administration (personnel function), and (iii) labour relations (conciliation function).

The labour welfare function includes advice and assistance in implementing legislative and non-legislative provisions relating to health, safety and welfare, hours of work, leave, formation of welfare committees, etc.

The labour administration covers organisational discipline, safety and medical administration, liaison, wage and salary administration, education of workers, etc. The labour relation consists of settlement of disputes, promotion of harmonious labour-management relations, etc.

13.5 VOLUNTARY WELFARE AMENITIES

There are employers who have taken the lead and provided a wide variety of welfare amenities to their employees

Educational Facilities

Economic and social progress is dependent on the quality of work force. Education plays a crucial role in motivating and preparing the workers for constant change and development that should necessarily happen in industry. The need for imparting necessary education to workers in India had been emphasised by the Indian Industrial Commission (1918) and the Royal Commission on Labour (1931). The educated worker is naturally more receptive and responsible.

Educating the workers' family, especially his children, is essential. It is an investment in training your future workforce. The Central Workers Education Board conducts classes for industrial workers. The National Commission on Labour and the Committee on Labour Welfare recommended that trade unions should take an active interest in educating workers and running schools for workers' children. However there is no statutory obligation on any industry to impart education to workers' children except in plantations.

Housing Facilities

Both the Indian Industrial Commission (1918) and the Royal Commission realised the importance and necessity of improving housing conditions of industrial workers and suggested various measures. In 1948, the Government of India put forth the Industrial Housing scheme. The Committee on Labour Welfare emphasised the importance of the role of the State Government in acquiring land near industrial areas and renting houses at reasonable rates. The National Commission on Labour recommended that the government should take the major responsibility for housing. The government should also use all the help that employers can provide and that fiscal and monetary incentives should be provided to employers to make it a viable proposition for them.

Transport Facilities

The growth and expansion of industries has also increased the distance for the worker from his place of residence to his place of work. Transport facilities for workers residing far from the workplace is essential to relieve strain and anxiety. Such facilities will, no doubt, also provide greater opportunity for relaxation and reduce the rate of absenteeism.

The Committee on Labour Welfare recommended the provision of adequate transport facilities to workers to enable them to reach their workplace without loss of much time and without fatigue. The Committee also recommended that in industrial undertakings where transport services are not provided, some conveyance allowance mutually agreed upon between the employer and the employees, should be paid to the employees. To encourage the employees to have their own conveyance the Committee recommended that the employer should advance loans for purchase of bicycles, scooters, etc.

Recreational Facilities

Recreation in the form of music, art, theatre, sports and games can play an important role in the mental and physical development of your employees. The importance of recreation in creating a healthy climate for industrial peace and progress has been emphasised by several studies, commissions, committees and commissions.

The ILO Recommendation on Welfare Facilities adopted in 1956 urged upon the member countries to take appropriate measures to encourage the provision of recreational facilities for the workers in or near the undertaking in which they are employed. These measures should, preferably, be taken in such a way as to stimulate and support action by the public authorities so that the community is able to meet the demand for recreational facilities.

In India, provision of recreational facilities has been made obligatory on employers in plantations. The Committee on Labour Welfare recommended that small units could

be lent a helping hand by the State in organising recreational facilities for its workers in industrial housing colonies. Trade unions could also take the initiative and different agencies could combine their efforts to provide a minimum number of sports and recreational activities to keep the labour force fit and healthy. Excursions can be organised, youth clubs can be formed and holiday homes can be provided for your employees.

Consumer Cooperative Societies

The importance of opening Consumer Cooperative Societies/Fair Price Shops for the workers was first realised during the Second World War. During this period a large number of Consumer Cooperative Societies were organised by the Government for the distribution of controlled commodities. A Committee was set up in 1961 by the National Cooperative Development and Warehousing Board to suggest measures for the development of the cooperative movement.

The Committee felt that it should be made obligatory for employers and industrial undertakings to introduce consumer cooperative activities in their labour welfare programmes. The Indian Labour Conference in 1962 adopted a scheme for setting up consumer cooperative stores in all industrial establishments including plantations and mines employing 300 or more workers. The employer was to give assistance in the form of share capital, working capital, loan, free accommodation and other amenities. The Industrial Truce Resolution, 1962, aimed to keep prices of essential commodities low by opening a sufficient number of fair price shops and cooperative stores so that workers were assured of a regular supply of essential items.

Activity B

Examine the welfare programmes available in your organisation. In the light of the points discussed above, identify gaps, if any, in the welfare measures and suggest ways to remedy the gaps.

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Apart from these welfare measures provided under various schemes—both statutory and voluntary—there are other benefits the employee is entitled to under the scheme of social security.

13.6 SOCIAL SECURITY: CONCEPT AND EVOLUTION

The concept of social security is essentially related to the high ideals of human dignity and social justice. It is in a way one of the pillars of the Welfare State. Social Security measures have introduced an element of stability and protection in the midst of the stresses and strains of modern life.

Social security programmes are increasingly being accepted as useful and necessary instruments for the protection and stability of the labour force. It is primarily an instrument of social and economic justice. It is a dynamic concept. Its content changes with the social and economic system obtaining in a given time and space. The ILO defines social security as "the protection which society provides for its members through a series of public measures, against the economic and social distress that otherwise would be caused by the stoppage or substantial reduction of earnings resulting from sickness, maternity, employment injury, unemployment, invalidity, old age, and death, the provision of medical care; and the provision of subsidies for families with children"

The term social security came into popularity after the US Government passed the Social Security Act in 1935, introducing the old age pension system. The formation of ILO in 1919 to promote social justice through (i) international standards; (ii) providing information; (iii) technical assistance and guidance; and (iv) cooperation with other international organisations, provided the impetus and direction needed by most countries.

In India over the years a number of legislative measures have been adopted to ensure benefits to employees of industrial undertakings under the scheme of social security. Let us have a look at some of these important rules and regulations.

The Workmen's Compensation Act, 1923

India's first social security legislation was passed in 1923. The Workmen's Compensation Act was to provide injury compensation to industrial workers. The Act imposes obligation on the employer to pay compensation for accidents arising out of and in course of employment. The Act was amended in 1962 raising the wage limit to Rs. 400 per month, and the 1976 amendment raised the wage limit to Rs. 1,000 per month, and a later amendment raised it to Rs. 1,600 per month.

The compensation limits in case of death were raised from Rs. 10,000 to 30,000 and for permanent and total disablement from Rs. 14,000 to 40,000 by the same amendment. The term "workmen" in the Act refers to those employed in factories, mines, plantations, construction work and other hazardous occupations, except those covered by Employee State Insurance Act, 1948, and clerical employees.

The compensation is related to the extent of the injury or circumstances of death. However, the employee cannot claim any compensation if he sustains injuries under the influence of drugs, alcohol, etc. The Act provides for half-monthly payment for temporary disablement. The compensation cannot exceed half the monthly wages. The Act is administered by a Commissioner appointed by the Government. The employer is required to file annual return giving details of the compensation paid, number of injuries and other particulars.

If the workman contracts any occupational disease due to the employment in that particular job, it would be deemed to be an injury by accident arising out of and in the course of his employment for purposes of the Act. In this case, the compensation will be payable only if the workman has been in service of the employer for more than six months.

If the employer does not pay the compensation within one month from the date it fell due, the Commissioner may order recovery of not only the amount of arrears but also a simple interest at the rate of six per cent per annum on the amount due. If there is no justification for the delay in the opinion of the Commissioner, an additional sum not exceeding 50 per cent of such amount may be recovered from the employer by way of penalty.

The Employees' State Insurance Act, 1948

This is a pioneering attempt to provide medical facilities and unemployment insurance during illness to industrial workers. The subject of health insurance for industrial workers was first discussed in 1927 by the Indian Legislature when the applicability of the convention adopted by the International Conference was considered by the Government of India. The Royal Commission on Labour in its Report (1931) stressed the need for health insurance for workers in India.

The Act covers smaller factories using power and employing 10 or more persons and those not using power but employing 20 or more people. The Act has also been extended to the new classes of establishments, shops hotels, restaurants, cinemas, theatres, motor transport, building construction, and newspaper establishments employing 20 or more persons. It covers all employees, manual, clerical and supervisory and employees engaged by or through contractors, whose remuneration does not exceed Rs. 1600 per month. The definition of "employee" includes administrative staff and persons engaged in connection with purchase of raw materials or sale or distribution of products and related functions. The State Government is empowered to extend the Act to cover other establishments or class of establishments.

The scheme is administered by an autonomous corporation with the Minister of Labour at the Centre as its Chairman, the Union Health Minister as the Vice-Chairman, and representatives of State Governments, employers and the medical profession nominated by the Central Government.

The scheme is financed by contribution from employers and employees, with the State Governments sharing one-eighth of the cost of medical care. The employer pays 4.7% of the wage bill, a maximum of Rs. 7.50 per week on the highest wage scale, and the insured person pays about 2.3% of his wage, around Rs. 4 per week. The maximum corresponding daily benefit rate for the insured person is Rs. 15. The State

Government which implements the scheme is reimbursed to the extent of 7/8 of the expenses incurred on workers' families and 3/4 of the expenses incurred in the case of workers. In order to qualify for the benefit the worker should have contributed to the scheme for a minimum period of 12 weeks.

The benefits provided under the scheme include: (i) Sickness and extended sickness benefit; (ii) Maternity benefit; (iii) Disablement benefit; (iv) Dependent's benefit, (v) Funeral benefit; and (vi) Medical benefit.

Sickness and extended sickness benefit: For sickness occurring during any benefit period, an insured person is entitled to receive sickness cash benefits at the standard benefit rate for a period of 91 days in any two consecutive benefit periods. Cash benefits are subject to contributory conditions. An insured person suffering from long term ailments like tuberculosis, leprosy, mental diseases, is eligible for extended sickness benefit at a rate of 25 per cent more than the sickness benefit rate rounded to the next higher multiple of 5 paise, for a period of 124/309 days. Contributions are calculated with reference to average daily wages, and wages have been classified into 9 groups for the purpose of fixing the contribution.

Maternity benefit: An insured woman is entitled to maternity benefit at double the standard benefit rate. This is practically equal to full wages for a period of 12 weeks.

Disablement benefit: If a member of the scheme suffers an injury in the course of his employment, he will receive free medical treatment and temporary disablement benefit in cash. The temporary disablement benefit is about 70 per cent of the wages as long as the temporary disablement lasts, provided that it lasted for not less than 3 days, excluding the day of accident. In case of permanent disablement, the insured person will be given life pension at full rate, i.e. about 70 per cent of his wages.

Dependants' benefits: This provides timely help to the eligible dependants of an insured person who dies as a result of an accident or an occupational disease arising out of and in the course of employment. Pension at the rate of 40 per cent more than the standard rate will be paid periodically to widows and children in accordance with the prescribed share. The benefit also accrues to parents and grandparents and any other dependant up to the age of 18 where the deceased has no surviving widow or child.

Funeral benefit: This benefit was introduced in 1968. An amount of not exceeding Rs. 100 is payable as funeral benefit to the eldest surviving member of the family of the deceased insured person. If the insured person did not have a family or was not living with his family at the time of death, it is payable to the person who actually incurs the expenditure on the funeral of the deceased insured person.

Medical benefit: The major attraction of the ESI scheme is medical benefit. Medical benefit has been divided into three parts:

- (a) **Restricted Medical Care:** It consists of out-patient medical care at dispensaries or panel clinics. Facilities of consultation with medical officers, supply of drugs, pre-natal and post-natal care, family planning and immunisation services are available in these institutions. The beneficiaries are also entitled to call a doctor to their house to see a serious case.
- (b) **Expanded Medical Care:** This consists of consultation with specialists and supply of special medicines and drugs as may be prescribed by them. Facilities for special laboratory tests and X-ray examinations are also available under this scheme.
- (c) **Full Medical Care:** Hospitalisation facilities, services of specialists and drugs and diet as are required for in-patients are available under this scheme.

When a person is entitled to any of the benefits provided by the ESI Act, he shall not be entitled to receive any similar benefit under any other enactment.

An insured person will not be entitled to receive for the same period (a) both sickness benefit and maternity benefit; or (b) both sickness benefit and disablement benefit for temporary disablement; or (c) both maternity benefit and disablement benefit for temporary disablement. When a person is entitled to more than one benefit, he has an option to select any one of them.

A dispute arising under the provisions of the ESI Act has to be settled by the Employees' Insurance Court, not by a civil Court.

The Employees' Provident Funds and Miscellaneous Act, 1952

The Act was passed in 1952 with the objective of making some provisions for the future

of the industrial worker after he retires, for the dependants in case of his early death, and to cultivate a spirit of saving among the workers.

The Act applies to all factories and other establishments falling under any notified industry and employing 20 or more workers. Once the Act is applied, it does not cease to be applicable even if the number of employees falls below 20. The Act extends to the whole of India except Jammu and Kashmir and the Assam Tea Plantations both of which had a separate Act and Scheme.

The Central Government is empowered to apply the provisions of the Act to any establishment employing less than 20 persons after giving not less than two months' notice of its intention to do so by a notification in the Official Gazette. However, please note that the Act does not apply to cooperative societies employing less than 50 persons and units working without the aid of power.

Workers in establishments employing 20-50 persons pay 6.25 per cent of their earnings and those with a larger strength pay 8 per cent. Employers make an equal contribution. The Provident Fund is refunded with interest in the event of death, permanent disability, superannuation, retrenchment, migration or on leaving service. On retirement, or after 15 years of service a worker receives his own share and the employer's contribution. For shorter periods of membership, the proportion of employer's contribution varies according to the length of service.

Employees' Family Pension Scheme, 1971

A Scheme of Family Pension-cum-Life Assurance was instituted in 1971 with the objective of providing long-term recurring financial benefit to the family of the member in the event of his premature death while in service. Under the Act, the word "family" means (i) wife in the case of a male member of the family pension fund; (ii) husband in the case of a female member of the family pension fund; (iii) minor sons and unmarried daughters of a member of the family pension fund.

Under the scheme, a family pension fund is created by diverting 11/6 per cent of pay and an equal amount each from the employer and the State Government. The Central Government pays the administrative cost of the scheme.

The Employees' Deposit-linked Insurance Scheme, 1976

The Act is applicable to all factories/establishments to which the Employees' Provident Funds Act applies. Where the monthly pay of an employee exceeds Rs.1600 per month the contribution payable in respect of him by the employer and the State Government will be limited to the amount payable on a monthly pay of Rs.1600. The special feature of the scheme is that only the employer and the government make contributions to the scheme and not the employee himself. The employer is required to contribute to the Insurance Fund at the rate of 0.5 per cent of the pay of the employees who are provident fund subscribers. The Central Government also contributes to the Insurance Fund an amount representing one half of the amount contributed by the employer.

The above three schemes, namely, the Employees' Provident Funds Scheme, the Employees' Family Pension Scheme, and the Employees' Deposit-linked Insurance Scheme are administered by the Employees' Provident Fund Organisation. The administration of these schemes is in the hands of the Central Board of Trustees, a tripartite body consisting of a Chairman, nominees of the Central and State Governments and employers' and employees' organisations.

The Maternity Benefit Act, 1961

The Act is applicable to all establishments not covered under the ESI Scheme. The Act was amended in 1976 to extend the benefits to all women workers earning more than Rs.1600 per month in establishments covered by the ESI Act.

Under the Act, a woman can get maternity leave upto 12 weeks. Of this, 6 weeks must be taken prior to the delivery of the child and 6 weeks immediately following that date. During the period of leave the employee is entitled to full wages/salary. The employee is also entitled to a medical bonus of Rs. 25 if no pre-natal confinement and post-natal care has been provided by the employer free of charge. To avail of the leave and benefits, the employee should have put in 160 working days of service in the 12 months immediately preceding the date of expected delivery.

The Payment of Gratuity Act, 1972

Gratuity is an additional retirement benefit. The Act is applicable to all factories, mines, oil-fields, plantations, ports, railways, shops or establishments in which 10 or more workers are employed. The Central Government can bring in any establishment by notification under the provisions of the Act.

According to the Act, an employee is entitled to 15 days wages for every year's continuance in service. Seasonal workers should be paid gratuity at the rate of 7 days wages per season. The total gratuity payable shall not exceed more than 20 months wages. The Act applies to workers who do not have any managerial or administrative capacity or are employed under the government and do not draw wages of more than Rs. 1600 per month. Gratuity is payable on termination of employment after the completion of at least five years of continuous service. This is relaxable in the case of death or disablement.

13.7 SUMMARY

In this unit we have attempted to underline the importance of labour welfare measures and social security benefits. It has also tried to familiarise you with the important Laws and Rules governing worker welfare programmes and employee benefit schemes. It has highlighted the need of these benefits and welfare measures from the viewpoint of the worker and the advantages that they may bring to enhance worker efficiency, morale and productivity.

13.8 SELF-ASSESSMENT TEST

- Examine the objectives of welfare programmes.
- Name the important legislations under which statutory welfare measures are prescribed.
- Examine the welfare measures the employer is required to provide for under the Factories Act, 1948, and the Contract Labour (Regulation and Abolition) Act, 1970.
- Briefly explain the functions of the welfare officer.
- Briefly examine the legislative measures adopted in India to ensure social security benefits to the industrial worker.

13.9 KEY WORDS

Social Welfare Activities: activities which will improve the living conditions of people (especially of manual workers)

Social Security Measures: measures that will ensure protection by society to its members against economic and social distress

Intra-mural: within the boundaries of the establishment (factory/organisation)

Extra-mural: Outside the establishment

Statutory: required under law

Indian Labour Conference: An apex body at the national level consisting of representatives of employees, employers and the government to discuss and recommend decisions relating to labour

13.10 FURTHER READINGS

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UNIT 14 COMPENSATION AND SALARY ADMINISTRATION

Objectives

Once you have completed this unit, you should be able to define and understand:

- aims of salary administration
- principles of salary formulation
- design of salary structures
- steps involved in salary progression and the procedures of administering salary systems.

Structure

- 14.1 Introduction
- 14.2 Aims of Salary Administration
- 14.3 Principles of Salary Formulation
- 14.4 Component of Salary Administration
- 14.5 Salary Structures
- 14.6 Salary Progression
- 14.7 Salary Administration Procedures
- 14.8 Other Allowances
- 14.9 Summary
- 14.10 Self-assessment Test
- 14.11 Key Words
- 14.12 Further Readings

14.1 INTRODUCTION

It is extremely important to have a well-designed compensation system. A properly planned and administered salary system is one of the most important aspects of modern management. Deciding how and what people should be paid is what is covered under salary administration. In this unit we shall attempt to understand the basic factors affecting salary administration. We shall pay special attention to the process of fixing salary levels, and designing salary structures. More dynamic aspects such as salary progression policies and procedures will also be examined.

14.2 AIMS OF SALARY ADMINISTRATION

The aim of salary administration is to develop and maintain a salary system of policies and procedures. A well-developed salary system will enable your organisation to attract, retain and motivate people of the required calibre and qualifications. Such a system should also be able to control your payroll costs. These aims and objectives have to be seen in greater depth from the point of view of the organisation, its individual staff, and collectively.

Organisational Aims

The salary system should be tailored to meet the organisation's special needs and should be easily capable of modification in response to change. In particular the aim of the system should be:

- Ensure that the organisation can recruit the quantity and quality of staff it requires
- Encourage suitable staff to remain with the organisation
- Provide rewards for good performance and incentives for further improvements in performance
- Achieve equity in pay for similar jobs

- Create appropriate differentials between different levels of jobs in accordance with their relative value
- Operate flexibly enough to accommodate organisational changes and relations in the relative market rates for different skills
- Be simple to explain, understand, operate and control
- Be cost-effective in the sense that the benefits of the system are obtained without undue expense

Individual Aims

The individual wants to feel that he is being treated fairly, and he expects to be paid according to his own evaluation of his worth. His assessment will be based on comparisons with market rates for similar jobs elsewhere and with the pay received by other staff in the organisation.

Collective Aims

The objective of trade unions and staff associations must be to obtain the maximum benefits for their members. They will want their members' pay to keep ahead of inflation, to match or exceed market rates and to reflect any increase in the prosperity of the company. Moreover, they will also want an equitable system and may object to merit review schemes based on management discretion, because they are thought to be arbitrary and unfair.

14.3 PRINCIPLES OF SALARY FORMULATION

The main factors affecting salary levels within an organisation are:

External relativities: market rates as affected by supply and demand and general movements in pay levels.

Internal relativities: salary relativities between jobs within the organisation depending on the values attached to different jobs.

Individual worth: the value of the individual's performance to the organisation.

External Relativities

A salary is a price indicating, like any other price, the value of the service to the buyer and seller; the employer and the employed. The going rate for a job is its market rate, and many will claim that a job is worth what the market says it is worth. External equity is a fundamental aim of any salary system. If insufficient attention is given to market rates your organisation may not be able to attract and retain good quality personnel. Although internal salary structure is not directly and instantaneously responsive to market forces at all points, the general structure must reflect the changing pressures of the market.

Internal Relativities

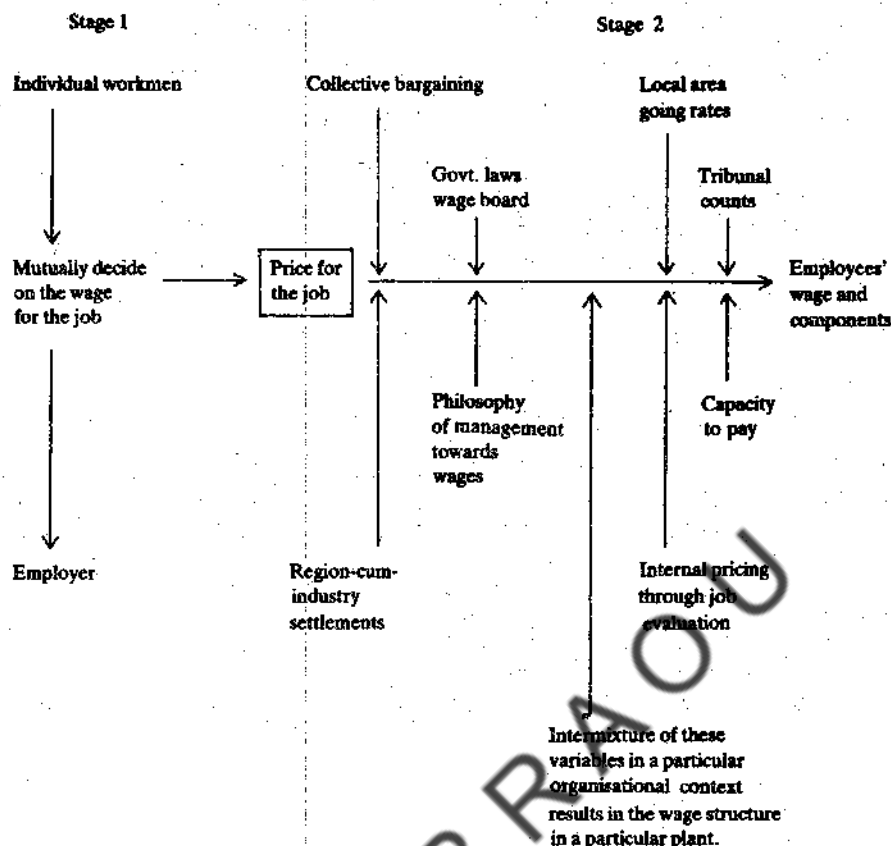
The value of a job within an organisation is relative. Within your own organisation, pay levels will be affected by real or perceived differences between the value of jobs. In this sense, the value of a job is comparative. The ideal salary structure should establish and maintain appropriate differentials based on an objective system of measuring relative internal values. As we have seen in an earlier unit, we must take recourse to job evaluation to arrive at this internal relative values of jobs. However, when you design such an ideal structure you must also take account of external as well as internal pressures.

Individual Worth

Although the value of a job is relative to other jobs inside and outside the organisation, the value of a person in the job is something very specific to that individual. Hence, his salary should be influenced by his performance. The salary system should, as far as possible, enable the individuals to be rewarded according to the contribution and not restricted by the artificial barriers contained in a rigid salary structure.

The wage/salary of an employee in the organised sector in India is determined by a variety of factors, as can be seen from Figure I.

Figure I: Wage Influencing Variables



Stage-1: Self contained model where external influence is marginal.
Stage-2: Depicting the interplay of external and internal influence.

Source: Arun Monappa, *Industrial Relations*, Tata McGraw-Hill Ltd., 1985.

The salary structure of an enterprise is built on the premise that each job has its own price. This is determined by the scientific job evaluation method and/or by the going rate in the area. Besides this, there are many region-cum-industry settlements like the agreement between the management and the union of an industry in a particular geographic region, which may form the basis for wage fixation.

The wages that an employer is willing to pay depends on his philosophy, his capacity to pay, his competitive position and his ability to attract and retain a workforce by factors other than wages.

The government has always played a significant role in the determination of wages in the organised sector. You are probably aware that there are a number of laws to ensure payment of a minimum wage and payment on time. Moreover, given the imbalanced positions of the employer and the employee, the government has had often to appoint wage boards to determine the wages in particular industries. You are also perhaps aware of the labour courts and industrial tribunals set up by the government to settle wage disputes by adjudication.

In unionised industries/organisations wages/salaries can be determined through the bilateral process of collective bargaining. However, when such processes break down or reach a deadlock, recourse is taken to government machineries of labour tribunals and law courts.

14.4 COMPONENTS OF SALARY ADMINISTRATION

The starting point of salary administration is the determination of salary levels. Salary levels are determined by the process of job evaluation. Job evaluation, as we have seen in an earlier unit, is a systematic method of appraising the value of each job in relation to other jobs in the organisation. This is done by identifying the key tasks and the various dimensions of the jobs and thereby enabling you to arrange them in a hierarchy of grading. You may refer back to the unit on Job Description, Analysis and Evaluation, for the various methods and techniques used.

Once you have arrived at the salary levels with the help of job evaluation, you should be concerned with:

- the design and maintenance of salary structures
- the operation of salary progression systems
- the administration and control of salary reviews
- the design and operation of other allowances

14.5 SALARY STRUCTURES

The salary structure consists of your company's salary grades or ranges and its salary levels for single jobs or groups of jobs. One of the major aims of a job evaluation exercise, as seen earlier, is to design a salary structure into which jobs can be correctly graded on the basis of an assessment of their relative value to the organisation. It is, of course, imperative to ensure that salaries are in line with market rates. While designing a salary structure you are attempting to provide for internal equity in grading and paying staff and to maintain competitive rates of pay. This, naturally, cannot be achieved if a chaotic set of rates and systems of payment exist in your organisation. You can evolve a salary structure which may be any one of the following or a combination of them:

Graded salary structures
Salary progression curves.

Graded Salary Structures

A typical salary structure is one with a sequence of salary ranges or grades, each of which has a defined minimum and maximum. In this process you are assuming that all the jobs allocated into a grade are broadly of the same value. However, you must ensure that actual salaries earned by the individuals are based on their performance or length of service. You may cover all the jobs in your organisation by the same structure of salary ranges or you may design different structures for different levels or categories of jobs. A properly designed salary structure should have the following features:

- All jobs are allocated into a salary grade within the structure. This allocation, of course, has to be done on the basis of assessment of their internal and external value to your organisation.
- Each salary grade should consist of a salary range or grade. No one holding a job in the grade can go beyond the maximum of the salary grade unless he/she is promoted.
- Jobs can be regarded within the structure when it is decided that their value has altered. This may be due to a change in responsibilities or a pronounced movement in market rates.
- General increases in the cost of living or in market rates are taken care of by proportionate increases in the minimum and maximum salary levels.
- The salary grades should be wide enough to provide room to recognise that people graded at the same level can perform differently and should therefore be rewarded according to their performance.
- A differential should be maintained between the mid-points of each salary grade. This is to provide adequate scope for rewarding increased responsibility on promotion to the next higher grade. At the same time the gap between adjacent grades should not be too wide as to reduce the amount of flexibility available for grading jobs.

- The mid-point of each grade is the target salary for the grade. You must assume that if there is a fairly steady movement of staff through the grade, the average salary of the staff in the grade will correspond with the target salary.
- There can be an overlap between salary grades which acknowledge that an experienced person doing a good job can be of greater value to the organisation than a newcomer to a job in the grade above.
- All jobs allocated into a salary grade should be broadly of the same level. Therefore, they normally have the same minimum and maximum rates which correspond with the grade boundaries.
- Progression within a grade depends on the performance of the individual. It would generally be assumed that all fully competent individuals in any jobs in a grade would eventually reach the normal maximum for a grade, if they are not promoted out of it. In some circumstances, you may make provisions for exceptional individuals to receive more than the grade maximum. This is desirable when there are no immediate opportunities for promotion, and your organisation wishes to retain their services without damaging their motivation.
- The number of salary grades or ranges will depend on, (i) the number of distinct levels of jobs in the hierarchy, (ii) the width of each salary grade, (iii) the extent of the overlap, if any, between grades, and (iv) the salary levels appropriate for the most senior and most junior jobs—this will give you the overall range of salaries within which you may fit the individual salary grades.

Make-up of a salary grade: A basic principle of a salary structure is that individuals should advance through the structure either by progressing within the salary grade for the job as they improve their performance, or by promotion. In the simplest structure, people should move more or less steadily from the entry point of the grade to the upper limit, unless they move to a higher grade. However, we can distinguish three stages into which this progression is divided. It would help us if we can divide the grade into three zones which correspond to these three stages.

The learning zone: This covers the period when a person is on his learning curve, familiarising himself with the knowledge and skills required for becoming fully competent. Of course, the length of time to go through this zone will vary according to the individual's experience, competence and ability to learn.

The qualified zone: This covers the period when the job holder continues to increase his capacity to do the work and to improve his performance. The minimum salary in this zone should be the market rate for the job in so far as this can be determined. Here, we are assuming that the market rate is the required salary level which will be able to attract a competent person from another job to join your organisation. The mid-point of the grade, is the salary level which all competent employees would be expected to achieve. This has to be above the market rate in order that you are able to retain these individuals.

The premium zone: This is reserved for those employees who achieve exceptional results but suitable promotion opportunities do not exist for them. This enables you to reward and encourage outstanding employees.

Designing the Salary Structure

The simplest way for you to design a salary structure would be to follow the following steps:

- Step 1: Establish by market rate surveys and studies of existing structures and differentials of the most senior and most junior jobs to be covered by the structure.
- Step 2: Draw up salary grade structure between the upper and lower limits, as established in Step 1, according to policies for differentials, the width of salary grades and the size of overlap between grades.
- Step 3: Conduct a job evaluation exercise, preferably by means of a simple ranking scheme, although this could be refined by using paired comparisons.
- Step 4: Obtain market rate data, bearing in mind that there is likely to be a range of market rates rather than a precise figure.

Step 5: Slot the jobs into the grade structure in accordance with the results of both the job evaluations and the market rate surveys. It is here that judgment is required. While some decisions on grades will be obvious, others will be more difficult. If in doubt, re-evaluate the borderline cases to help make the final marginal decision. One advantage of an overlapping structure is that such decisions are less critical.

Activity A

Design a graded salary structure for the executives in your organisation.

This image shows a single sheet of white paper with horizontal blue or grey ruling lines. There are three vertical lines on the right side, creating margins. The paper appears to be from a notebook or a standard writing template. A small dark mark is visible near the bottom center.

Salary Progression Curves

Salary progression curves are also known as maturity curves or career curves. They aim to link increases in salary over a fairly long period to increased maturity or experience. They are best used for professional, scientific or other highly qualified staff. Their contribution is almost entirely related to their professional capacity rather than to a more or less fixed set of duties that enable their job to be firmly placed in a rigid hierarchy.

Progression curves are mostly used for professional/scientific staff whose starting salary is linked to the market rate for their degree or to a professional qualification. This system assumes that they will develop within their discipline at some standard rate as a result of their experience.

You may provide more than one rate of progression where you feel that there should be some scope for rewarding and encouraging individuals according to their performance and potential. The aim of the progression curve system is to allow plenty of scope for advancing people according to their contribution.

14.6 SALARY PROGRESSION

Salary progression procedures relate increases in salary to merit. It should be aimed at relating salary compensation to performance consistently and equitably while retaining an adequate degree of control over salary costs. The essential features of a systematic procedure for salary progression should be:

- The salary ranges are divided into defined areas or zones, as discussed earlier. The individual will pass through these zones as he progresses.
- There should be incremental systems which will indicate the rates at which individuals can progress according to merit or experience.

There must be guidelines for determining merit increments and planning salary progression.

Incremental Systems

There are different kinds of incremental systems which vary in their rigidity and flexibility. At one end you have extremely rigid procedures with fixed and

predetermined movements through a scale related to age, service in the organisation or experience in the job, while at the other end there are flexible systems in which management exercises complete discretion over the award and size of increments without any guidelines. Between the two extremes there are middle-ranged, semi-flexible systems.

The choice of approach will naturally depend on the organisation climate and managerial style of the organisation. A bureaucratic organisation is likely to believe in strict control over managerial judgments by using a rigid system of salary administration, while a less autocratic organisation which allows the managers to exercise discretion would adopt a more flexible system. While there is no doubt about the advantages of a flexible system, we must at the same time be aware of the need to exercise control over the salary system (which we will discuss a little later).

It is extremely important to ensure that individuals are correctly placed in their range in relation to their performance and also that they move through and between salary grades at a rate appropriate to their progress and potential. Most salary planning decisions are short-term ones which are concerned with deciding on the next increment to be paid because of merit or promotion. Long term salary plans are closely linked with career planning procedures.

Short-term salary planning can be carried out by means of a variable incremental system with guidelines which will indicate the various rates at which people can progress through a zoned salary range.

14.7 SALARY ADMINISTRATION PROCEDURES

In this section we will be concerned with the implementation and control of salary policies and with the control of salary costs against budgets. Control is an essential element of salary administration. We will also examine the following procedures:

- salary budgets
- cost of living or general reviews of salary levels
- individual salary reviews
- fixing salary levels on joining or on promotion

Salary Control

In order to have effective control the salary administration procedure should have the following features:

- i) Defined ranges with the minimum and the maximum to which all jobs are allocated on the basis of their value, all employees are paid within the ranges for the jobs performed.
- ii) Defined methods of progress within the range based on specific criteria.
- iii) A detailed salary budget based on the number of staff required to carry out the forecast volume of work; forecast salary and levels taking into account the effects of general and incremental increases; forecasts of promotions and promotional increases and numbers joining and leaving the organisation; and forecasts of the likely effect on salary costs of changes in the numbers employed and of differences between the salary levels of those joining or leaving.
- iv) Clear statements of the degree of authority at each managerial level to award or to confirm increments with arrangement for authorising proposed salary changes and checking their consistency with policy.
- v) Clear salary review guidelines defining the limit to which the pay-roll costs of each department can increase as a result of merit awards. Together with this it should contain other instructions on the maximum awards that can be given and the distribution of awards according to performance and salary grades.
- vi) Procedures for auditing increases and salary levels to ensure that they are in accordance with salary policies, and for monitoring actual salary costs against budgeted costs.

Salary Budget

A salary budget is a statement in quantitative/financial terms of the planned allocation and use of resources to meet the operational needs of the company. In a salary budget, you should forecast the levels of activity which will indicate the number of different categories of staff that are needed for the budget period. When you prepare the salary budget you must take account of the financial resources available to the company. This will, as you can see, affect the ability to pay general or individual merit increases, or the numbers employed, or both.

Salary Reviews

General salary reviews take place when it is necessary to increase all or most salaries as a result of an increase in the cost of living or in market rates, or as a result of settlements. It is equally important to keep individuals informed of how they stand in the salary structure and the rewards they are getting or can obtain.

Individual salary reviews: The purpose of an individual salary review is to decide on the merit increments that should be given to staff. You can have one annual review for all staff or you may phase increases through the year on the anniversary of the staff joining the organisation. The latter enables you to give more individual attention to the staff and removes the emotional atmosphere that surrounds the annual review.

Fixing Salaries on Appointment or Promotion

Control over starting salaries should be exercised by providing guidelines on the policies to be followed and by defining who has the authority to approve salaries. Promotions should be dealt with as they arise rather than being left to the annual review. The increase should be meaningful and the starting point in the new grade should provide adequate scope to reward performance in the new job.

Activity B

Indicate the steps and state the details of procedures that you will require to take in controlling salary costs in the salary structure you have designed in the earlier Activity.

14.8 OTHER ALLOWANCES

Employees are given various forms of additional cash remuneration to encourage commitment to and participation in the success of the organisation. Payment other than the basic salary is also meant to compensate the employees for the special demands imposed on them by working for the organisation.

Bonus Schemes

You can devise various bonus schemes usually in the form of a lump-sum payment. This is of course in addition to the basic salary and should be related in some way to

the performance of the individual or group of individuals receiving the bonus. The principal aim of a bonus scheme should be to provide an incentive and a reward for effort and achievement. You may use the following criteria as a base while designing a bonus scheme.

- The amount of reward received should be sufficiently high to encourage staff to accept exacting targets and standards of performance.
- The incentive should be related to quantitative criteria over which the individual has a substantial measure of control.
- The scheme should be sensitive enough to ensure that rewards are proportionate to achievements.
- The individual should be able to calculate the reward he can get for a given level of achievement.
- The formula for calculating the bonus and the conditions under which it is paid should be clearly defined.
- Constraints should be built into the scheme to ensure that staff cannot receive inflated bonus which may not reflect their own efforts.
- The scheme should contain provisions for a regular review which could result in its being changed or discontinued.
- The scheme should be easy to administer and understand, and it should be tailored to meet the requirements of your organisation.

Apart from the bonus, there are various other benefits like holidays, sick pay, pensions, housing and medical benefits which will ultimately supplement the salary of your staff. The details of these benefits are discussed in the unit on "Rules and Laws on Employee Benefits and Welfare"

14.9 SUMMARY

This unit has attempted to familiarise you with the systems and procedures of salary administration. Salary administration should be approached as a management tool to attract, retain and develop the required quantity and quality of human resources within your own organisation. A well-designed and properly administered salary system should, as you will agree with me, be one that will not only reward your employees with the material remuneration they think they deserve, but will also act as a motivating factor.

This unit has also tried to help you in developing your skills in formulating and designing salary structures. It has explained the rationale of salary administration, the need for salary reviews and the steps to ensure control over salary administration.

14.10 SELF-ASSESSMENT TEST

- Briefly explain the main factors that affect the salary levels within an organisation.
- What are the steps that you will take to ensure control over the salary administration?
- State the need for salary reviews.
- What is bonus? What are the principal criteria which will be used as a base while designing a bonus scheme?

14.11 KEY WORDS

Salary Administration: systems and procedures designed for purposes of efficiently managing the compensation of organisational members.

Job Evaluation: the process by which the relative worth/value of a job is determined.

Salary Structure: consists of the various salary grades and their different levels of single jobs or groups of jobs.

Salary Progression: procedures and guidelines which will help to relate increase in salary to the performance of the employee.

Salary Budget: a forecast of statement in financial terms of the planned allocations and use of resources to adequately compensate members of the organisation.

Labour Court: an adjudicating authority dealing with disputes relating to standing orders, discharge, dismissal, strike and lockout.

Industrial Tribunal: an adjudicating authority dealing with disputes relating to wages, allowances, hours of work and holidays, discipline, retrenchment, closure of establishment, bonus, provident fund and gratuity.

14.11 FURTHER READINGS

Armstrong, M. and Helen Murlis, 1980. *Salary Administration*, Kogan Page Ltd.: London.

Bungess, L.R. 1984. *Wage and Salary Administration*, Charles E. Merrill Publishing Co.: Columbus.

BRAOU

BLOCK 5 MANAGING INDUSTRIAL RELATIONS

Establishing and maintaining a state of order at the workplace is a crucial aspect of management. No organisation, industry or enterprise can be managed in a state of chaos and normlessness. But, it is a known fact that conflict is an integral part of modern work context due to the diversity of interests of the members of the organisation. So, when we discuss managing of industrial relations, we consider the ways and means of establishing a working order, a normative pattern of relationships among the groups with conflicting interests and values. The four units included in this booklet will discuss the various aspects of the problem and the different mechanics of Managing Industrial Relations.

The first unit on the **Regulatory Mechanisms Guiding Industrial Relations** discusses the concept of industrial relations and describes the various regulatory procedures and machineries available for managing industrial relations. It will mainly examine the important provisions in the Factories Act, 1948, the Trade Union Act, 1926, the Industrial Disputes Act, 1947, etc.

The second unit on **Employee Discipline** will discuss the concept of discipline, the various aspects of employee discipline, and will examine how positive and constructive discipline can be achieved by you. It will also examine the judicial process of maintaining discipline and discuss the mechanics of dealing with indiscipline among employees.

The third unit on **Grievance Handling** will discuss the nature and types of problems associated with grievances. It will also examine how grievances can be solved promptly and effectively and how this will improve industrial relations.

The last unit in this block on **Suspension, Dismissal and Retrenchment** will examine and describe the various dimensions of managerial decisions leading to permanent separation of the employee, temporary prohibition from performing the assigned duties by the employee as a punishment, and the termination of services due to reasons extraneous to the management and the worker. The unit will explain under what conditions you should take such decisions, and what procedures you should follow.

BRAOU

UNIT 15 REGULATORY MECHANISMS GUIDING INDUSTRIAL RELATIONS

Objective

The objective of this unit is to briefly introduce you to the changing role of labour legislation in the country and present an overview of a few among about 360 labour legislations (including amending acts) in the country. The purpose is to give an insight into the complexity of the regulatory framework and then provide comprehensive inputs about the detailed provisions. The purpose is to create an appetite for learning more about the subject.

Structure

- 15.1 Introduction
- 15.2 The Trade Union Act, 1926
- 15.3 The Industrial Employment (Standing Orders) Act, 1946
- 15.4 The Factories Act, 1948
- 15.5 The Industrial Disputes Act, 1947
- 15.6 The Payment of Wages Act, 1936
- 15.7 The Minimum Wages Act, 1948
- 15.8 The Payment of Bonus Act, 1965
- 15.9 The Workmen's Compensation Act, 1923
- 15.10 The Employees State Insurance Act, 1948
- 15.11 The Employees Provident Fund Act, 1952
- 15.12 The Payment of Gratuity Act, 1972
- 15.13 Labour Administration
- 15.14 Summary
- 15.15 Self-study Exercises/Questions
- 15.16 Key Words
- 15.17 Further Readings
- Appendices
 - i) List of Important Labour Laws
 - ii) Report of the Sanat Mehta Committee (1982)
 - iii) Summary of the Major Recommendations of the Report of the National Commission on Labour (1969)

15.1 INTRODUCTION

Traditionally, Labour Laws had a protective function consisting of established standards both to protect workers in their workplace and to provide them a basic minimum level of living conditions. Alongwith this function, there also existed in most systems, a legal framework for the regulation of industrial relations between employers and workers. These functions had their impact on problems of development. The emphasis was more on labour legislation for its own sake, development being a separate proposition.

This mutual lack of concern was perhaps due to historical factors. The most important aspect that strikes one is the fact that in developed countries of the Western world, labour legislation followed the emergence of industrialisation and in response to a demand for economic and social betterment of the workers, whereas in developing countries the emergence of labour laws preceded industrial growth.

Another aspect of labour legislation in developing countries relates to the process of enacting labour laws. In most of the developing countries, many of whom became independent only after the Second World War, the legislative patterns were not indigenous, suited to the requirements of the country but were transplants from abroad. Borrowing of foreign models, often those provided by highly industrialised countries, or adapting provisions to the standards set by the International Labour Organisation, appears to have been the practice. This resulted in the labour legislations being unrelated to the stage of economic growth, the position of wage

earner within the total workforce, levels of skills and the stage of institutional development in the countries in question. This also resulted in a considerable slippage in the implementation of the labour laws. This gap was also widened by the lack of strong trade union movements and effective labour administrations. If the evolution of labour legislation in developing countries has by and large been independent of the needs and the compulsions of the development process, the reverse has also been true. It has only lately been recognised that development does not consist merely of an increase in the Gross National Product of the per capita income. Advocates of rapid industrialisation and steady increase in the Gross National Product have viewed labour legislation as a stumbling block in their path. This is because as it not merely increases the cost and thus acts as a deterrent to investment, but also imposes undue restrictions on the powers of management to take and implement decisions. Such an attitude also results in investments being diverted towards capital intensive technologies rather than labour intensive technologies which the situation would have demanded.

These extreme positions have given way in more recent years to a more balanced understanding and analysis of the relationship between labour law and development. The currently accepted concept of development rejects the purely economic view earlier held. It recognises the importance in the development process of strategies and programmes for employment promotion, reduction of disparities in income, satisfaction of minimum needs, improvement of the quality of life, etc. Planners in developing countries recognise that social objectives have an important place in the overall development.

In India, the earlier pre-independence legislations had, by and large, been regulatory and prescriptive in the matter of safety and working conditions, on the other hand, the post-independence and the post-Constitution period has not only witnessed the blossoming of labour legislation in the important areas of social security and welfare but has also recognised the need for dealing with the problems of the relatively more disorganised and disadvantaged sections of the workforce. This last is evidenced by the Contract Labour (Regulation and Abolition) Act, 1970, the Equal Remuneration Act, 1976. Bonded Labour System (Abolition) Act, 1976. The unique role assigned to the Supreme Court and the High Courts under the Constitution through the power of judicial review has tended to revolutionise the approaches and interpretations which used to be adopted by the Governments and employers prior to the Constitution. Slowly but surely a new industrial jurisprudence is emerging with a decisive thrust towards social justice. Faith in the rule of law and constitutional Government compel us to understand the implications of constitutional law in labour relations and industrial adjudication. The contribution made by the higher judiciary in our country in this direction has been positive and severely in favour of the weaker of the two parties, i.e. the workers. It has not merely supplemented and strengthened the legal provisions but in several cases has enabled fresh ground to be broken. The increasing extent to which the aggrieved workmen directly move the Supreme Court for getting their grievances redressed is a symptom of sagging faith in recourse to bipartite settlements and of the weakening of the Trade Union Movement as a political force. Labour is a concurrent subject. Labour laws can be enacted by Central Government, State Governments or both. Presently we have nearly 108 labour laws, their number would be around 360, if all the amending acts are also reckoned (See Appendix 1 for a list of the important Labour Acts).

There is need and scope for labour laws to be made simple and for the labour administration to be vigilant. The large number of labour laws, each with its own differing definitions and concepts has only confused the beneficiaries and the implementing authorities; perhaps the only ones who might have benefited are the lawyers. It is high time that the plethora of labour laws were looked into in a comprehensive manner so that these laws are consolidated in about three Acts under major heads like Employment Conditions, Social Security and Industrial Relations, each with common definitions and concepts. Opportunity must be availed of to fill the existing gaps in the laws and to avoid parallel provisions in allied laws. Article 37 of our Constitution stipulates that the Directive Principles of State Policy shall not be enforceable in any court, because it is the duty of the State to apply these principles in making laws, labour legislations or for that matter any other legislations reflecting the Directive Principles of State Policy in its content.

In what follows, the salient features of a few important legislations have been briefly discussed. The discussion provides only a bird's eye view and for a comprehensive study one should refer to the relevant legislations and case laws. The report of the Sanat Mehta Committee (Appendix II) and summary of the major recommendations of the National Commission on Labour (Appendix III) are appended.

15.2 THE TRADE UNION ACT, 1926

Objects

The main object of the Act is to confer a legal and corporate status on registered trade unions. The Act provides immunity from civil and criminal liability to trade union executives and members for bona fide trade union activities. The Act applies to the entire Indian Union.

Main Provisions

The main provisions of the Act relate to (i) registration of unions, (ii) rights and privileges, and (iii) obligations and liabilities of registered trade unions.

Any seven members can form a union and apply to the Registrar, appointed under the Act, for registration of the union. At least half the total number of office-bearers of a registered union must be persons actually engaged in the industry to which the union belongs. By an amending Act passed in 1964 and enforced since April 1965 persons convicted of offences involving moral turpitude are debarred from becoming office-bearers or members of the executive of a registered trade union. Under certain circumstances, the Registrar of Trade Unions is authorised to withdraw or cancel the registration. Such action of the Registrar is, however, subject to appeal.

Office-bearers of registered trade unions are immune from criminal proceedings in respect of any agreement for the purpose of furtherance of any legal object of the union. They are also protected from civil suits arising out of their trade union activities. It is open to the unions to constitute a separate political fund for the promotion of civil and political interests of its members. Half the office-bearers of a registered union could be outsiders.

Unions are required to submit annual returns, on calendar year basis, to the Registrar of Trade Unions and keep open books of accounts and list of members for verification by an office-bearer or member of the union. Any changes in the name, constitution, and rules of the union as well as the office-bearers have to be notified to the Registrar. Non-submission of annual returns leads to cancellation of registration.

Administration

The Act is administered by the State Governments which are required to appoint Registrars of Trade Unions to look after the proper compliance of the provisions of the Act.

Assessment

The following are some of the major limitations of the Act :

- 1 That any seven members can form a union and register. It encourages multiplicity and mushroom growth of unions. Some organisations—ranging from Calcutta Municipal Corporation to Indian Railways—have or have had at one time or other over 100 unions each.
- 2 The provisions concerning political fund and outsiders as office-bearers upto 50 per cent of the total office-bearers led to politicisation.
- 3 The Act provides for registration, but not recognition. Employers need not recognise any or all registered unions as bargaining agent(s). Certain state legislations such as Bombay Industrial Relations Act, 1946 however have statutory provisions for recognition. Even so, as the 1982 Bombay textile strike and numerous other incidents reveal, problems persist in regard to recognition. The National Commission on Labour also left the matter open taking into account local peculiarities, in each case.

In 1978 and 1982 amendment bills were introduced in the Lok Sabha which provided, among other matters, a machinery for resolution of inter-union and intra-union disputes, streamlining of registration, reduction of outsiders in the

executive of the trade unions, and certain other connected matters. But the much needed amendments continue to be elusive.

There are restrictions on the number of directorships a professional manager can hold under the Indian Companies Act. The Trade Union Act, however, does not put any ceiling and it is not only a theoretical possibility, but also a fact that quite a few union leaders hold office-bearership in over 100 unions!

15.3 THE INDUSTRIAL EMPLOYMENT (STANDING ORDERS) ACT, 1946

Objects and Scope

The Act came into force in April 1946 and extends to the whole of India. The object of the Act is to regulate the conditions of recruitment, discharge, disciplinary action, holidays, etc., of the workers employed in industrial undertakings/establishments with 100 or more workers. Since 1982, the scope of the Act has been extended to the industrial establishments employing 50 or more workers as against 100 workers in the Central sphere. In the State sphere, by virtue of an earlier amendment (in 1961), the appropriate Government can extend the provisions of this Act to undertakings employing less than 100 after giving two months notice to the employer. Under the Act, employers are required to define precisely the conditions of employment in industrial establishments and to make such conditions known to the workmen employed therein.

Main Provisions

The main provisions of the Act relate to (i) procedure for submission of draft Standing Order, (ii) condition of certification, (iii) date of operation and display of these Orders, (iv) Procedure for Modifications, and (v) machinery for implementation of the Act.

The Act provided Model Standing Orders covering various aspects of conditions of employment such as

- i) Working hours (including shift work and overtime)
- ii) Attendance rules and regulations
- iii) Holidays and leave
- iv) Payment of wages
- v) Deduction from wages
- vi) Payment of bonus
- vii) Increments and promotions
- viii) Transfer
- ix) Discipline, etc.

Prior to the enactment of the Act, the employers were under no obligation to define conditions of employment. Consequently there was much abuse, exploitation and uncertainty in regard to employment conditions of workmen. The Act changed the situation. There is provision for appeals against unjust conditions and well laid procedure for alteration in conditions that severely abridged the earlier rights of employers. Over the years, employment conditions have become subject matter of collective bargaining.

Administration

The machinery for the implementation of the Act consists of the Certifying Officer and the Appellate Authority. The Labour Commissioner, wherever appointed, or an officer appointed for the purpose by the appropriate Government, has to discharge the functions of the Certifying Officer. The Appellate Authority is an Industrial Court—wherever it exists—or in its absence, any authority appointed for the purpose by the appropriate Government. As regards the application or interpretation of Standing Orders, either employer or employee may refer the matter to any of the Labour Courts, whose decision will be binding on the parties.

Several industrial establishments have been granted exemption from any or all of the provisions of the Act, conditionally or unconditionally. They include, for instance,

15.4 THE FACTORIES ACT, 1948

Objects

The working of the Factories Act, 1934, which was in operation prior to 1948 was found unsatisfactory and its provisions inadequate in the changed conditions of growing industrial activities. Hence the comprehensive Factories Act was enacted in 1948 to ensure adequate safety measures and to promote the health and welfare of the workers employed in factories. It also seeks to prevent haphazard growth of factories through the provisions therein relating to the approval of plans by the Chief Inspector of Factories before the erection of a factory building is started. The Act extends to the whole of India and applies to all establishments employing 10 or more workers where power is used and to establishments employing 20 or more workers where power is not used.

Main Provisions

The main provisions of the Act, *inter alia*, relate to (i) health, safety and welfare; (ii) hours of work; (iii) employment of young persons and women; (iv) annual leave with wages; (v) occupational diseases; (vi) administration; (vii) enforcement; and (viii) penalties for offences.

The detailed provisions on the above aspects are fairly exhaustive. Factories employing 500 or more workers are required to appoint Labour Welfare Officers to look after the welfare of workers. The State Governments are empowered to prescribe the duties, qualifications and service conditions of these officers. It is also empowered to order the management of any factory or class of factories to associate the representatives of employees in matters relating to provision of welfare facilities.

Under the Act, the maximum hours of work for adult workers have been fixed at 48 hours per week, and 8 hours per day spread over 10½ hours in a day, inclusive of intervals. Employment of women and children (below 17 years) is prohibited during the night (7 pm to 6 am).

Administration

State Governments will administer the Act through their own Factory Inspectors. The onus of compliance with the provisions of the Act wholly rests on the occupier of the Factory, though certain obligations are imposed on workers. The Directorate General of Factory Advice Service and Labour Institutes coordinates the work of enforcement of the Act throughout the country, frames Model Rules and suggests amendments to the Act and the Rules in consultation with the State Chief Inspectors of Factories. Penalties are prescribed for contravention of any of the provisions of the Act.

Assessment

This is a comprehensive legislation. In 1976, by an amendment of the Factories Act, the definition of worker under Sec. 2(1) has been enlarged so as to include contract labour also. And by a further amendment it was stated that the provisions of the Factories Act would apply notwithstanding any provisions inconsistent therewith in any other enactment.

15.5 THE INDUSTRIAL DISPUTES ACT, 1947

Objects

The Industrial Disputes Act, 1947 replaces the previous legislation on the subject, viz., the Trade Disputes Act, 1929. The Act was amended eight times between 1956 and 1984. The Act provides a machinery for peaceful establishment of works committees to promote harmonious relations between the employers and workers. It introduced the principle of compulsory adjudication and prohibited strikes without notice in public utilities.

Main Provisions

The main provisions of the Act as amended up-to-date relate to (i) works committees; (ii) conciliation and adjudication machinery; (iii) strikes and lock-outs; and (iv) lay-off, retrenchment. The important provisions of the Act relating to these aspects are discussed here briefly.

i) Works Committees

Appropriate Governments have been empowered to prescribe that works committees should be constituted in every industrial establishment in which 100 or more are employed. The works committees, however, have generally not been popular and preserving amity and good relations between the employers and workmen and, to that end, to comment upon matters of their common interest or concern and endeavour. The works committees, however, have generally been not popular and effective and their failure is widely acknowledged (for details, see the unit on 'Industrial Democracy and Workers Participation').

ii) Conciliation and Adjudication Machinery

a) Conciliation and Courts of Enquiry : The appropriate Governments are authorised to appoint Conciliation Officers for any specified area or industry and to constitute Boards of Conciliation or Courts of Enquiry for settling industrial disputes. The Act makes it compulsory for the Government to refer all disputes relating to public utility services for conciliation, but in case of other disputes, the Government can exercise its discretion. A settlement arrived at in the course of conciliation proceedings becomes binding on all parties to the dispute. If no settlement is arrived at, the Conciliation Officer has to submit a failure report to the appropriate Government to enable the latter to decide whether the dispute should be referred for adjudication or not. Actual or apprehended disputes can be referred to the Government for adjudication.

b) Adjudication : The Act provides for a three-tier system of original Tribunal, viz., Labour Courts, Industrial Tribunals and National Tribunals. While the first two can be set up either by State or Central Government, only the Central Government can appoint National Tribunals.

Matters within the jurisdiction of Labour Courts and Industrial Tribunals are specified in the second and third Schedules to the Act respectively. The Labour Courts deal with day-to-day matters like the propriety or legality of an order passed by an employer under the Standing Orders; application and interpretation thereof, discharge or dismissal of workmen including reinstatement of, or grant of relief to workmen wrongfully dismissed; withdrawal of customary concession or privilege; illegality or otherwise of a strike or a lock-out, etc. as specified in the Second Schedule to the Act. Matters relating to wages, allowances, bonus, gratuity, provident fund, shift-working otherwise than in accordance with Standing Orders, rules of discipline, rationalisation, retrenchment of workmen, closure of establishments, etc., are covered by the third Schedule. All matters within the jurisdiction of Labour Courts and those specified in the Third Schedule of the Act come within the jurisdiction of Industrial Tribunals. These schedules can be amended or altered by the Central Government. The National Tribunals adjudicate such disputes of national importance or of such nature that industrial establishments situated in more than one State are likely to be interested or affected by it.

Normally the awards of the adjudication machinery become operative on expiry of 30 days from the date of publication except when the appropriate Government decides to modify or reject the same within 90 days of its publication.

c) Arbitration : The original Act of 1947 did not provide for voluntary arbitration. Under the amended Act, the parties to a dispute can, by a written agreement refer the dispute to any arbitrator for arbitration, before it has been referred for adjudication.

d) Miscellaneous provisions : An employer cannot change service conditions without giving 21 days notice to the workman concerned. An employer can proceed against any workman in any matter during the pendency of proceedings. He may do so in

accordance with the provisions in the Standing Orders and after paying prescribed compensation as per the Act. The Act prescribes penalties for non-compliance of settlements and awards and for other offences such as illegal strikes, lock-outs, etc.

iii) Strikes and Lock-outs

The appropriate Governments are authorised to prohibit the continuance of any strike or lock-out if the dispute has been referred to a Board or Tribunal. The Act declares strikes and lock-outs in public utility services to be illegal, if they commenced or were declared without giving notice in the prescribed manner, or during the pendency of conciliation proceedings before a Conciliation Officer, and seven days after the conclusion of such proceedings. All strikes and lock-outs, whether in public utility services or not are deemed to be illegal if commenced or declared during pendency of (a) conciliation proceedings before a Board and seven days after the conclusion of such proceedings; (b) proceedings before a Labour Court, Tribunal or National Tribunal and two months after the conclusion of such proceedings; and (c) during any period in which a settlement or award is in operation in respect of any of the matters covered by the settlement or award. Continuation of strike or lock-out is not illegal if it existed prior to the reference of the dispute to a Board or Tribunal provided that such a strike or lock-out was not in contravention of the provisions of the Act when it commenced or its continuance was not prohibited by the Government concerned. A strike or a lock-out declared as a consequence of an illegal lock-out or strike is also not deemed to be illegal.

iv) Lay-off, Retrenchment and Closure

The provisions relating to lay-off and retrenchment have been discussed in detail in the unit on "Suspension, Dismissal and Retrenchment" which forms part of this booklet. As such, mainly the provisions relating to closure are discussed here.

The Industrial Disputes (Amendment) Act, 1976 makes, *inter alia*, lay off, retrenchment and closure illegal except with the prior permission of the appropriate Government. These provisions have been further amended in 1982 and 1984. According to the recent amendments, a workman would be entitled to 100 per cent wages where a Labour Court or Tribunal reinstates a worker even if the employer prefers proceeding against the award in the higher courts. During the period of pendency of such proceeding, full wages last drawn including maintenance allowance as admissible will be paid to the worker. Again the provisions of closure, lay-off and retrenchment will be applicable to all industrial establishments employing 100 or more workmen instead of 300 or more as at present. An employer who intends to close down an establishment shall have to apply to the appropriate Government for prior permission at least 90 days before the date on which the intended closure is to become effective. If the Government does not respond in 60 days, permission is deemed to have been granted. There is also a provision for appeal to the Industrial Tribunal against the decision and the Tribunal will give the award within 30 days from the date of reference by the appropriate Government. Closing down of an establishment when the permission has not been granted by the appropriate Government is illegal and the workmen affected by such illegal closure are entitled to all the benefits under the law as if no notice had been given to them. Where the undertaking is permitted to close down, every workman is entitled to compensation equivalent to 15 days' average pay for every completed year of continuous service. Similar provisions have been made for lay-off and retrenchment. Prior approval for lay-off may be relaxed in exceptional cases like accident in the establishment or death of the employer or the like. In such cases, lay-off could be effected, if necessary, and *post facto* approval obtained.

The amended Act stipulates that Labour Courts or Tribunals would give orders and awards within the time stipulated in the order of reference which will not exceed three months in the case of individual disputes and in case of direct applications. A Conciliation Officer will have power of civil courts for enforcing the attendance of persons, for examining and for compelling the production of documents. 'Unfair labour practices' on the part of employers, workers and trade unions have become part of the amending Act of 1984 and no employer or workman or a trade union whether registered or not shall commit any unfair labour practice. Any person who commits unfair labour practices shall be punishable with imprisonment which may extend up to six months or fine which may extend up to Rs. 1,000 or both.

15.6 THE PAYMENT OF WAGES ACT, 1936

Objects

The main purpose of the Act is to ensure regular and prompt payment of wages and to prevent the exploitation of a wage-earner by prohibiting arbitrary fines and deductions from his wages. Initially it was made applicable to persons drawing less than Rs. 200 per month. But subsequently it was amended six times and now made applicable to persons drawing upto Rs. 1,600 per month, covering all establishments declared as factories under Section 85 of the Factories Act, 1948 and a host of other undertakings.

Main Provisions

The main provisions of the Act relate to (i) the powers of the State Governments to extend the application of the Act, (ii) fixation of wage periods and time for payment of wages, (iii) deductions from wages, and (iv) levy of fines.

The Act stipulates that (a) wage periods should not exceed a month, and (b) undertakings employing less than 1,000 persons should pay wages before the expiry of the seventh day and other undertakings before expiry of the tenth day, after the last day of the wage period, in respect of which wages are paid.

The Act permits deductions from wages only of certain specified kinds, such as those relating to (a) fines; (b) absence from duty; (c) damages and loss, etc.; (d) housing accommodation provided by the employer, Government, etc.; (e) such amenities and services as authorised by appropriate Government or authority; (f) recovery of advances and interest due in respect thereof or adjustment of overpayments of wages; (g) income-tax payable by the employed persons; (h) recovery of loans for house-building purposes and loans from labour welfare funds; (i) payments to cooperative societies approved by State Governments and to a scheme of insurance maintained by Indian Post Office; (j) subscription to and repayment of advances from any provident fund to which the Provident Fund Act, 1925 applies, or any recognised provident fund as defined in the Indian Income Tax Act, 1922 or any provident fund approved, etc.

The limit prescribed for deduction from wages of a person in a wage period is 50 per cent of the wages. But where deductions are partially or wholly made for payment of dues of cooperative societies the upper limit is upto 75 per cent of the wages. The Act also lays down that the imposition of fines under Service Rules is not to be taken as a deduction from wages for purpose of the Act. The Act prohibits the imposition of fines without the prior approval of the Government or the prescribed authority and lays down the procedure according to which the fines may be imposed.

The Act provides for physical inspection of registers and other documents and lists employer obligations in this regard.

Administration

Under Section 14(1) of the Act, Inspectors of Factories are deemed to be Inspectors for purposes of this Act.

Limitations

Though this is one of the few legislations which have been working smoothly, the major snag is that the inspecting authority does not have powers to recover dues from the defaulting employers.

15.7 THE MINIMUM WAGES ACT, 1948

Objects

The purpose of the Act is to statutorily determine the floor wage in industry and trade where labour organisations are either non-existent or ineffective. The employments covered are listed in the Schedule appended to the Act which is revised from time to time. The minimum wages can be prescribed by the appropriate Government, Central or State as the case may be.

Main Provisions

The Act provides for (a) the minimum time rates, (b) minimum piece rates, (c) guaranteed time rates, and (d) overtime rates for different occupations, localities, or classes of work and for adults, adolescents, children and apprentices.

The minimum rates of wages may consist of (a) basic rate of wage and cost of living allowance or (b) basic rate of wage with or without the cost of living allowance and the cost value of the concessions in respect of essential commodities supplied at concessional rates or (c) an all-inclusive rate. Wages should be paid in cash.

Procedurally, rates can be fixed in one or two ways either on the recommendations of the advisory committees appointed under Sec. 5(1)(a) of the Act or by directly publishing the proposed minimum rates of wages in the Gazette as required under Sec. 5(1)(b). Both the procedures are in vogue.

Administration

Advisory Committees or Boards appointed by the appropriate government fix and revise the minimum wages and advise the Central or State Government as the case may be, in the matter.

Assessment

The purpose of the Act is laudable since it seeks to prevent undue exploitation of labour by making a floor wage mandatory on all employers. As the Supreme Court said in one case, an employer who does not have the capacity to pay the minimum wages has no right to exist. In the case of minimum wage the capacity to pay is considered to be irrelevant.

The operation of the Act, however, suffers from several weaknesses. Firstly, the provisions are not properly implemented. The National Commission on Labour observed that the inadequate inspectorate and administrative machinery make the enforcement of the Act extremely difficult. Secondly, reviews are usually done at longer intervals than the periods prescribed in the Act. Thirdly, the minimum wages prescribed in some cases were lower than the poverty-line wages. The definition of minimum wage itself is not precise enough.

15.8 THE PAYMENT OF BONUS ACT, 1965

Objects

The purpose of the Act is to make payment of bonus to workmen in certain categories a statutory obligation. It is applicable to all factories and certain establishments like public utilities, etc.

Main Provisions

The main provisions of the Act, *inter alia*, relate to: (i) eligibility for bonus; (ii) payment of minimum and maximum bonus; (iii) time limit for payment of bonus; (iv) deductions from bonus; and (v) computation of gross profits and available allocable surplus, etc. The Act was amended several times. A brief description of the recent position with regard to each of the above provisions is given below:

Initially it was applicable to all those drawing upto Rs. 750 per month in the establishments covered by the Act. But now the wage limit is raised to Rs. 2,500 per month. But bonus will be paid as if the wages drawn were Rs. 1,600 per month.

The minimum bonus payable was raised, lowered and raised again. Now the minimum limit is 8.33 per cent and maximum is 20 per cent of the wages. Minimum bonus is to be paid even if the organisation incurs loss.

Bonus should be paid within eight months from the close of the accounting year. Certain deductions like adjustment against interim bonus, etc. can be made by the employer from the bonus payable to the workers. The Act contains detailed provisions regarding computation of gross profits and surplus allocable for bonus.

Administration

The definition of appropriate Government for the purpose of bonus disputes is the same as defined under the Industrial Disputes Act, 1947.

Assessment

The concept of bonus is still vague. It is variously interpreted and understood by different parties as a deferred wage, share in profits, etc. Allocable surplus determination is a vexed question. Collective bargaining often rendered the ceiling irrelevant. In 1979 the concept of productivity linked bonus was introduced in Indian Railways and Posts & Telegraphs. There again the forces of competitive bargaining than performance based productivity indices began to influence the quantum of bonus. Ex gratia payments continue in public service and most other employments in the organised sector not covered by the Bonus Act. Bonus Act could do precious little to avoid conflicting claims.

15.9 THE WORKMEN'S COMPENSATION ACT, 1923

Objects

The Act seeks to impose an obligation upon employers to pay compensation to workers for accidents arising out of and in course of employment, resulting in death or total or partial disablement for a period exceeding three days. Compensation is also payable for some occupational diseases contracted by workmen during the course of their occupation.

Earlier, there used to be a wage limit for coverage under the Act. But this has been removed with effect from 1st July 1984 by an amending Act of 1984. The amending Act of 1984 also provides for higher rates of compensation and coverage of 34 occupational diseases (as against 22 earlier). The Act is not applicable to (i) casual workers, (ii) those employed in Armed forces, and (iii) workers covered by the Employees State Insurance Act, 1948.

Main Provisions

The main provisions under the act relate to (i) entitlement; (ii) rates; (iii) coverage of dependants; and (iv) distribution of compensation.

Compensation is payable by an employer in case of injury caused by accident arising out of and in the course of employment, but not due to the fault of the worker or his wilful disobedience of an order, etc. Compensation is also payable in case of workers who contract certain occupational diseases as are mentioned in Schedule III of the Act.

The rates of compensation fixed vary depending upon whether the injury results in (i) death; (ii) permanent total disablement; (iii) permanent partial disablement; or (iv) temporary disablement, total or partial. The maximum payable ranges from Rs. 24,000/- in the case of death to one-half of monthly wages of the workman to be paid in accordance with the relevant provisions.

Where an employer disclaims the liability, the Commissioner for Workmen's Compensation may, after such enquiry as he thinks fit, inform the dependants that it is open to them to prefer a claim.

Administration

The Act is administered by the State Governments through Commissioners for Workmen's Compensation appointed by them.

Assessment

The Industrial Revolution brought about the installation of heavy modern industries which are hazardous to industrial life, and accidents have become inevitable. Perhaps more number of mandays are lost due to accidents each year than due to industrial conflict. This is a welcome measure of statutory relief to the suffering workers.

15.10 THE EMPLOYEES STATE INSURANCE ACT, 1948

Objects

The Act provides certain cash benefits to employees in case of sickness, maternity and employment injury and to make provisions for certain other related matters. It is

applicable to employees in a wide range of establishments drawing monthly wages upto Rs. 1,600 (as per 1985 amending Act). The dependants also are now covered for medical benefits and they receive pension if a worker dies of an employment injury.

Main Provisions

The important benefits provided under the Act are: (i) Sickness benefit; (ii) Maternity benefit; (iii) Disablement benefit; (iv) Dependants benefit; and (v) Medical benefit.

All employees covered under the Act and drawing wages of less than Rs. 6 per day are now entitled to receive free medical care. In respect of others, contributions have to be made by both employee and employer. The employee's share in the contribution is to be deducted from his wages by the principal employer. The rates of contribution are laid down in Schedule I of the Act and the Government can revise them, if necessary. Similarly the standard benefit rates prescribed under various schemes also can be revised. Medical care is provided through hospitals set up under the Act as also through reservation of beds in existing hospitals.

The Act also provided for setting up special courts by the State Governments to decide disputes and to adjudicate claims.

Administration

The Employees State Insurance Corporation is created under the Act to administer the various provisions.

Assessment

At the end of March 1983, 88,950 employers and 62.72 lakh employees were covered under the Act. As a percentage of the labour force in the country, the coverage is insignificant, particularly in view of the fact that it is in vogue since 1948.

There are a number of complaints and inadequacies in the implementation of the scheme. While the Supreme Court stated that for the illness of a day's duration, an employer cannot insist on a sick certificate, the E.S.I. Corporation disallows any payment for two days as the waiting period.

15.11 THE EMPLOYEES PROVIDENT FUND AND MISCELLANEOUS PROVISIONS ACT, 1952

Object

The purpose is to make some provision for the future of the industrial worker after he retires or for his dependants in case of his early death. It applies to all factories and establishments of any notified industry (so far 173 industries/classes of establishments have been notified under the Act) if they employ 20 or more persons. Newly started establishments employing less than 50 persons are exempted for the initial five years. Certain establishments like cooperatives, charitable institutions, etc. are also exempted.

Main Provisions

The employees' statutory contribution to the Fund is a minimum of 8.33 per cent of the wages/salary. Employers will make equal contribution. The Act provides that the amount standing to the credit of any member of the Fund shall not in any way be liable to attachment under any decree or order of any court in respect of any debt or liability incurred by the member. Proper safeguards are provided to ensure that the employer does not reduce his share of liability and responsibility for maintaining the fund. There are additional provisions in the Act for advances, refundable and non-refundable. Certain advances made for payment of insurance premia, house construction, etc. are non-refundable.

Administration

The administration of the Fund vests in the Central Board of Trustees, which is a tripartite body, consisting of representatives of employers, employees and persons nominated by the Central and State Governments.

Assessment

Nearly 1.51 lakh factories/establishments and 144 lakh employees are covered under the Act till the end of September 1984. Though the provisions on employer liability and responsibility in regard to provident fund are elaborate, the wording of certain sections was such that there is considerable litigation on disputes arising out of defaults. The problems in administering the Act are more procedural than substantial.

15.12 THE PAYMENT OF GRATUITY ACT, 1972

Object

The origin of gratuity was in the nature of a gift. It was a gratuitous payment. The concept of social justice altered the concept of gratuitous payment and the Act made it a statutory social obligation of the employer. The coverage of the Act is extensive as in the case of most other social security legislations.

Main Provisions

Gratuity is payable to all employees covered by the Act who have put in five years of continuous service at the time of termination of service, be it due to death, disablement, resignation, retirement or retrenchment. For every year of completed service or part thereof in excess of six months, the employer will have to pay to an employee at the rate of fifteen days wages based on the wages last drawn, subject to a maximum of 20 months wages. Payment of gratuity can be denied only in cases of certain types of misconduct.

Administration

The appropriate Government, Central or State, appoints a Controlling Authority to administer the provisions of the Act and conduct inquiry into any disputes or claims.

Assessment

This is a welcome legislation. The problems in administration of the Act relate to denial of gratuity on grounds of interpretation of the circumstances of certain types of misconduct where the employer can avoid his obligation. The Provident Fund (Amendment) Act, 1976 omitted the provision relating to forfeiture of employer's share on dismissal. Similar amendment is due in Gratuity Act also.

15.13 LABOUR ADMINISTRATION

In India, both Central and State Governments enact and administer labour laws. The division of jurisdiction between Centre and States is laid down by the Constitution. The Ministry of Labour and Employment of the Central Government is the main agency for policy formation and administration in all labour matters. Together with the State Governments, the local bodies and the Statutory Corporations/Boards (such as Employees State Insurance Corporation and Central Board of Workers Education) it coordinates and monitors the implementation of policies and decisions of the tripartite committees.

While the Labour Secretary is overall in charge of both policy and administration, the Commissioner of Labour in the states is the operative arm for the implementation of labour laws. He is also the Registrar of Trade Unions. In some states, he has the functions of the State Director of the National Employment Service or of the Chief Inspector of Factories. In states where there is no separate authority for labour welfare, the Commissioner (State) looks after this function.

A number of directorates have been set up to look after specific aspects like employment training (Directorate General of Employment and Training), advisory service and research help to the factory inspectorates of different states (The Directorate General of Factory Advice Service and Labour Institutes), etc.

Under the Industrial Disputes Act several authorities have been created to investigate and settle disputes. They include: Works Committees, Conciliation Officers, Board of Conciliation, Court of Enquiry, Arbitrators/Board of Arbitration, Labour Courts, Industrial Tribunals and National Tribunals.

Besides, there are Wage Boards, Commissions, Committees of Enquiry, Tripartite forums like the Standing Committee on Labour and Indian Labour Conference to provide direction and advice on matters that come under their jurisdiction.

On the whole, there are several institutions/agencies administering a variety of legislative and other provisions. As in the case of legislation, in labour administration also there is significant scope for integrating the numerous authorities and having a unified cadre of labour judiciary service. This makes for a speedier, coordinated and effective labour administration in the absence of which employees and employers have to run around a host of institutions/agencies in regard to labour matters.

15.14 SUMMARY

We have observed briefly the nature of the regulatory framework in setting standards to protect and further the working and employment condition of workers, regulate industrial relations and provide for a measure of social security in keeping with the ideals set out in our Constitution. As in most other developing countries, here also much of the regulatory framework preceded industrial development. Over the years, the regulatory framework introduced far reaching changes in industrial relations. We have briefly made an overview of the salient provisions of a select legislations and had a glimpse of the labour administration machinery.

15.15 SELF-ASSESSMENT TEST

- 1 Obtain the texts of a few legislations. Prepare a table of definitions of the following terms contained in different legislations and analyse:
 - Worker or Workman
 - Industry
 - Wages
- 2 Refer to a few labour journals/books on labour legislation to study a few judgments by Supreme Court/High Courts and see for yourself how, over the years, there has been a change in the definition of workman and industry.
- 3 Visit a factory (or look into your own organisation, if it is a factory or industrial establishment). Study the facilities/provisions for health, safety and other working conditions. Analyse how they compare with the provisions and standards set in the text of the Factories Act.
- 4 Visit the offices of Factories Inspector and Labour Commissioner in your area. Look around and talk to them about how they operate, what records they maintain, etc.
- 5 Study one incident of an industrial dispute in your organisation or some other organisation to which you have access. Examine the contents of the relevant file from the beginning to the end. Examine the way the machinery for resolving industrial disputes is working. Prepare a brief report.
- 6 Imagine what would have been the situation today if we did not have the legislations that were mentioned in this unit. Put your thoughts on paper.
- 7 What is the role of a regulating mechanism in industrial relations. Is it to enable or to control industrial relations?
- 8 If a legislation like the Payment of Bonus Act did not help obviating conflict on account of bonus payments and if Minimum Wages Act by itself did not ensure payment of minimum wages, would you suggest that the relevant Acts be repealed. If not, how would you approach the problem.
- 9 Does the regulatory mechanism in industrial relations help or hinder organisational efficiency?
- 10 What is the effect of the regulatory mechanism on:
 - a. trade union growth and development,

- b. employer attitudes, and
- c. collective bargaining.

Examine these aspects in relation to your experience and what you learn from your observation, newspaper reports, discussions with friends and colleagues.

15.16 KEY WORDS

Arbitration : Reference of industrial disputes for resolving by a third party/ person. It could be done by an individual (arbitrator) or by a group of persons (Board of Arbitration). The power to refer an industrial dispute to an arbitrator is derived from the written agreement made by the employers and workmen specifying the names of the arbitrator(s).

Adjudication : It is compulsory arbitration, an ultimate remedy provided in the Industrial Disputes Act, 1947 for resolving industrial disputes. Unlike in arbitration, the appropriate Government on its own decides whether or not to refer an industrial dispute for adjudication by a labour court, industrial tribunal or national tribunal.

Labour Court : This is one of the adjudicatory bodies provided by the Industrial Disputes Act to resolve such disputes listed in the Second Schedule of the Act as are referred to by the appropriate Government. Labour courts consist of one person only, who is also called the Presiding Officer, and who is or has been a judge of a High Court.

Industrial Tribunal : This is also a one-man body (Presiding Officer) to resolve matters listed in the Third Schedule of the Industrial Disputes that are referred to it by the appropriate Government.

National Tribunal : The third adjudicatory body provided by the Act to deal with industrial disputes involving 'questions of national importance' where more than one state is affected.

Conciliation : Mediation through a non-judicial process of consensus in an industrial dispute by a third party, who is usually a conciliation officer appointed by the appropriate Government under the Industrial Disputes Act.

15.17 FURTHER READINGS

Agarwala, S.L., 1978. *Labour Relations Law in India*, Macmillan: Madras.
Government of India, 1969. *Report of the National Commission on Labour*: New Delhi.

Misra, S.N., 1983. *Labour and Industrial Laws*, Pioneer Publications: Delhi.

Venkataratnam, C.S., (Ed.), 1981. *Indian Industrial Relations*, National Institute of Personnel Management (Visakha Branch) : Visakhapatnam.

Text of relevant judgments.

Indian Labour Journal.

Labour Law Journal.

Labour Gazette.

APPENDICES

APPENDIX I

LIST OF IMPORTANT LABOUR ACTS (AS ON 31.12.1984)

FACTORIES

CENTRAL

- 1 The Indian Boilers Act, 1923. Amended in 1929, 1937, 1939, 1942, 1943, 1947, 1949, 1952 and 1960.
- 2 The Cotton Ginning and Pressing Factories Act, 1925. Amended in 1939, 1942, 1950 and 1951.
- 3 The Factories Act, 1948. Amended in 1949, 1954 and 1976.

STATES

- 1 The Cotton Ginning and Pressing Factories (Bombay Amendment) Act, 1936. Amended in 1937
- 2 C.P. & Berar Cotton Ginning and Pressing Factories (Amendment) Act, 1936 and 1947^a.
- 3 The C.P. & Berar Cotton Ginning & Pressing Factories (Second Amendment) Act, 1947^a.
- 4 The Cotton Ginning & Pressing Factories (Madras Amendment) Act, 1953.
- 5 The Cotton Ginning and Pressing Factories (Saurashtra Amendment) Act, 1956.
- 6 The Rajasthan Factories (Amendment) Rules, 1978.
- 7 The Kerala Factories (Amendment) Rules, 1978, 1979 and 1980.
- 8 The Punjab Factory (Amendment) Rules, 1978 and 1980.
- 9 The Andhra Pradesh Factories Rules, 1950 (Amendment).
- 10 The Delhi Factories Rules, 1950. Amended in 1979 and 1983.
- 11 The Pondicherry Factories Rules, 1964. Amended in 1980 and 1984.
- 12 The Punjab Factory (1st Amendment) Rules, 1980.
- 13 The Maharashtra Factories Rules, 1965. Amended in 1981 and 1984.
- 14 The Tamil Nadu Factories Rules, 1950 : Amendments.
- 15 The Tamil Nadu Factories (Welfare Officers) Rules, 1953 : Amendments.
- 16 The Orissa Factories Rules, 1950. Amended in 1982.
- 17 The Gujarat Factories Rules, 1963. Amended in 1979, 1983 and 1984.
- 18 The Karnataka Factories Rules, 1969. Amended in 1982.

MINES

CENTRAL

- 1 The Mines Act, 1952. Amended in 1959 and 1983.
- 2 The Metalliferous Mines Regulations, 1961. Amended in 1965 (Twice), 1966, 1967 and 1977.

STATES

- 1 The Bengal Mining Settlement Act, 1912.

PLANTATIONS

CENTRAL

- 1 The Tea District Emigrant Labour (Repeal) Act, 1970.
- 2 The Plantations Labour Act, 1951. Amended in 1953, 1960 and 1981.

STATES

- 1 The Jalpaiguri Labour Act, 1951.
- 2 The Himachal Pradesh Plantations Labour Rules, 1978.
- 3 The Kerala Plantation Labour (Amendment), Rules, 1979.
- 4 The Tamil Nadu Plantations Labour Rules, 1955 : Amendments.

TRANSPORT

CENTRAL

- 1 The Indian Railways Act, 1980. Amended in 1946, 1950, 1951, 1954, 1955, 1956 and 1957.
- 2 The Dock Workers (Regulations of Employment), Act, 1948. Amended in 1951, 1962 and 1970.
- 3 The Merchant Shipping Act, 1958. Amended in 1966, 1976 and 1977.
- 4 The Motor Transport Workers Act, 1961.
- 5 The Bombay Port Trust (Grant of ex-gratia pension to retired employees) Regulations, 1978.

STATES

- 1 The Motor Transport Workers (West Bengal Amendment) Act, 1979.
- 2 The Punjab Motor Transport Workers (Amendment) Rules, 1961 and 1981.
- 3 The Tamil Nadu Motor Transport Workers (Amendment) Rules, 1965 and 1981.

SHOPS AND COMMERCIAL ESTABLISHMENTS

CENTRAL

- 1 The Weekly Holidays Act, 1942. Amended in 1951.

STATES

- 1 The Andhra Pradesh Shops & Establishments Act, 1966. Amended in 1969.
- 2 The Assam Shops & Establishments Act, 1948.
- 3 The West Bengal Shops & Establishments Act, 1963. Amended in 1965 and 1981.
- 4 The Bihar Shops & Establishments Act, 1953. Amended in 1959.
- 5 The Bombay Shops & Establishments Act, 1948. Amended in 1949 and 1960.
- 6 The Delhi Shops & Establishments Act, 1954. Amended in 1960 and 1970.
- 7 The Jammu & Kashmir Shops & Establishments Act, 1966.
- 8 The Kerala Shops & Commercial Establishments Act, 1960.
- 9 The Madhya Pradesh Shops & Commercial Establishments Act, 1958. Amended in 1967

^a Not in force in Maharashtra

- 10 The Madras Shops & Establishments Act, 1947. (Also applied to Andhra Pradesh with certain modifications.)
- 11 The Madras Catering Establishments Act, 1958. Amended in 1961.
- 12 The Mysore Shops & Establishments Act, 1961.
- 13 The Orissa Shops & Establishments Act, 1956. Amended in 1958.
- 14 The Punjab Shops & Commercial Establishments Act, 1958.
- 15 The Rajasthan Shops & Commercial Establishments Act, 1958.
- 16 The Saurashtra Shops & Establishments Act, 1955.
- 17 The Uttar Pradesh Dookan Aur Vanijya Adhistan Adhiniyam, 1962.
- 18 The Pondicherry Shops & Establishments Act, 1964.
- 19 The Himachal Pradesh Shops & Commercial Establishments Act, 1969.
- 20 The H.P. Shops & Commercial Establishments Rules, 1972 and 1979.
- 21 The Maharashtra Grocery Market Shops Unprotected Workers (Regulation of employment and welfare (i) Amendment Scheme 1973 (ii) application to certain scheduled employments schemes).
- 22 The A.P. Factories & Establishments (National Festivals & other Holidays) Act, 1974 and Rules, 1974.
- 23 The Goa, Daman & Diu Shops & Establishments Act, 1973. Amended in 1984.
- 24 The Punjab Shops & Commercial Establishments (Haryana Amendment) Act, 1976.
- 25 The Punjab Industrial Establishments (National and Festival Holidays and Casual and Sick leave) Haryana Amendment Act, 1976.
- 26 The Karnataka Industrial Establishments (National and Festival Holidays) Amendment Act, 1975.
- 27 The Gujarat Shops & Establishments (Amendment) Rules, 1979.
- 28 The Maharashtra Shops & Establishments (Amendment) Rules, 1979.
- 29 The Gujarat Shops & Establishments (National Festivals and other Holidays) Amendment Act, 1980.
- 30 The Gujarat Shops & Establishments (Employees' Life Insurance) Act, 1980.
- 31 The Gujarat Shops & Establishments Employees Group Insurance Scheme, 1980.
- 32 The Gujarat Shops & Establishments (Employees Life Insurance) Rules, 1980.
- 33 The Bombay Shops & Establishments (Gujarat Amendment) Act, 1980.
- 34 The Karnataka Shops & Commercial Establishments (Amendment) Rules, 1982.
- 35 The Kerala Shops & Commercial Establishments Rules, 1961. Amended in 1982.
- 36 The Assam Shops & Establishments (Amendment) Rules, 1982.
- 37 The Gujarat Shops & Commercial Establishments Employees' Wages in kind (Computation of Cash Value) Rules, 1984.

WAGES AND BONUS CENTRAL

- 1 The Payment of Wages Act, 1936. Amended in 1937, 1940, 1948, 1957, 1964, 1976, 1977 and 1982.
- 2 The Minimum Wages Act, 1948. Amended in 1954, 1957, 1961 and 1984.
- 3 The Payment of Bonus Act, 1965. Amended in 1969, 1972, 1973, 1974, 1975, 1976, 1978 and 1980.
- 4 The Equal Remuneration Ordinance, 1975.
- 5 The Equal Remuneration Rules, 1975.
- 6 The Payment of Bonus (Amendment) Ordinance, 1975, 1977, 1978 and 1980.
- 7 The Equal Remuneration Act, 1976.
- 8 The Equal Remuneration (Central) Amendment Rules, 1976.
- 9 The Payment of Bonus Rules, 1975.
- 10 The Equal Remuneration Rules, 1976. Amended in 1983.
- 11 The Payment of Wages (Mines) Rules, 1956. Amended in 1977 and 1983.
- 12 The Payment of Wages (Air Transport Services) Rules, 1968. Amended in 1983.

STATES

- 1 The Payment of Wages (Bombay Amendment) Act, 1953.
- 2 The Payment of Wages (Bombay Amendment and Validation) Act, 1959.
- 3 The Payment of Wages (Madras Amendment and Validation) Act, 1959.
- 4 The Payment of Wages (Mysore Amendment) Act, 1952.
- 5 The Payment of Wages (Saurashtra Amendment) Act, 1955.
- 6 The Minimum Wages (Rajasthan Amendment and Validation) Act, 1969.
- 7 The Payment of Wages (Madhya Pradesh Amendment) Act, 1964.
- 8 The Goa, Daman & Diu Minimum Wages Rules, 1975.
- 9 The Himachal Pradesh Payment of Wages (Procedure) Rules, 1977.
- 10 The Maharashtra Payment of Wages (Amendment) Rules, 1977.
- 11 The Karnataka Minimum Wages (Amendment) Rules, 1977 and 1979.
- 12 The Himachal Pradesh Payment of Wages (Amendment) Rules, 1979.
- 13 The Karnataka Payment of Wages (Amendment) Rules, 1979.
- 14 The Karnataka Minimum Wages (Amendment) Rules, 1977.
- 15 The Kerala Minimum Wages (Amendment) Rules, 1979.
- 16 The Maharashtra Minimum Wages (Amendment) Rules, 1981.
- 17 The Himachal Pradesh Minimum Wages Rules, 1978.
- 18 The Punjab Payment of Wages (1st Amendment) Rules, 1981.
- 19 The Tamil Nadu Payment of Subsistence Allowance Act, 1981.
- 20 The Tamil Nadu Payment of Subsistence Allowance Rules, 1981.
- 21 The Payment of Wages (West Bengal Amendment) Act, 1981.
- 22 The Assam Coal Mines Bonus (Amendment) Scheme, 1977.

INDUSTRIAL HOUSING

- 1 The Indian Dock Labourers Act, 1954. Amended in 1949, 1950, 1951, 1953 and 1964.
- 2 The Madhya Pradesh Housing Board Act, 1950.
- 3 The Uttar Pradesh Industrial Housing Act, 1955.

- 4 The Andhra Pradesh Housing Board Act, 1956.
- 5 The Punjab Industrial Housing Act, 1956.
- 6 The Mysore Housing Board Act, 1962.
- 7 The Assam State Housing Board Act, 1972.
- 8 The Assam State Housing Rules, 1976.
- 9 The Jammu & Kashmir Housing Board Act, 1976.
- 10 The Tamil Nadu State Housing Board (Amendment) Act, 1977.

SAFETY AND WELFARE CENTRAL

- 1 The Indian Dock Labourers Act, 1934. Amended in 1950 and 1951.
- 2 The Mica Mines Labour Welfare Fund Act, 1946. Amended in 1950, 1951 and 1980.
- 3 The Coal Mines Labour Welfare Fund Act, 1947. Amended in 1951, 1972 and 1981.
- 4 The Coal Mines (Conservation & Safety) Act, 1952. Amended in 1961.
- 5 The Coal Mines Rescue Rules, 1959. Amended in 1979.
- 6 The Iron Ore Mines Labour Welfare Cess Act, 1961. Amended in 1970.
- 7 The Lime Stone and Dolomite Mines Labour Welfare Fund Act, 1972.
- 8 The Beedi Workers Welfare Act, 1976.
- 9 The Beedi Workers Welfare Cess Act, 1976. Amended in 1981.
- 10 The Iron Ore Mines and Manganese Ore Mines Labour Welfare Fund Act, 1976.
- 11 The Iron Ore Mines and Manganese Ore Mines Labour Welfare Cess Act, 1976. Amended in 1982 and 1983.
- 12 The Beedi Workers Welfare Cess Rules, 1977.
- 13 The Beedi Workers Welfare Fund Rules, 1978.
- 14 The Cine Workers Welfare Fund Rules, 1981.
- 15 The Limestone and Dolomite Mines Labour Welfare Fund Rules, 1973. Amended in 1981 and 1983.
- 16 The Iron Ore Mines and Manganese Ore Mines Labour Welfare Fund Rules, 1978. Amended in 1983.
- 17 The Cine Workers Welfare Cess (Amendment) Rules, 1984.

STATES

- 1 The Bombay Smoke Nuisance Act, 1912. Amended in 1953.
- 2 The Bombay Labour Welfare Fund Act, 1953. Amended in 1956, 1961, 1966 and 1970.
- 3 The U.P. Sugar and Power Alcohol Industries Labour Welfare and Development Fund Act, 1950.
- 4 The U.P. Labour Welfare Fund Act, 1965.
- 5 The Mysore Labour Welfare Fund Act, 1965.
- 6 The Punjab Labour Welfare Fund Act, 1965.
- 7 The Maharashtra Mathadi, Hamal and other Manual Workers (Regulation of Employment and Welfare) Act, 1969. Amended in 1973.
- 8 The Tamil Nadu Labour Welfare Fund Act, 1972. Amended in 1982.
- 9 The Assam Tea Plantations Employees' Welfare Act, 1959.
- 10 The West Bengal Labour Welfare Fund Act, 1974. Amended in 1980.
- 11 Jammu & Kashmir Forest Labour Welfare and Common Facilities Fund Rules, 1974.
- 12 The Karnataka Labour Welfare (Amendment) Ordinance, 1976.
- 13 The Kerala Toddy Workers Welfare Fund Scheme, (Amendment) 1969.
- 14 The Kerala Toddy Workers Welfare Fund (Amendment) Act, 1978.
- 15 The Punjab Labour Welfare Fund, (Haryana Amendment) Act, 1978.
- 16 The Himachal Pradesh Welfare Officers Recruitment and Conditions of Service Rules, 1977.
- 17 The Tamil Nadu Labour Welfare Fund Rules, 1973: Amendments.
- 18 The Gujarat Cashew Workers Relief and Welfare Fund Act, 1979.

SOCIAL SECURITY CENTRAL

- 1 The Workmen's Compensation Act, 1923. Amended in 1924, 1925, 1929, 1933, 1937 (Twice), 1938, 1939, 1942, 1946, 1948, 1959, 1962, 1976 and 1977.
- 2 The Employers' Liability Act, 1938. Amended in 1951 and 1952.
- 3 The War Injuries Ordinance, 1941. Amended in 1950.
- 4 The War Injuries (Compensation Insurance) Act, 1943. Amended in 1950.
- 5 The Employees' State Insurance Act, 1948. Amended in 1951, 1966 and 1975.
- 6 The Coal Mines Provident Fund, Family Pension and Bonus Schemes Act, 1948. Amended in 1950, 1951, 1965, 1971, 1972 and 1973.
- 7 The Employees' Provident Funds and Family Pension Fund Act, 1952. Amended in 1953, 1956, 1958, 1960, 1962, 1963, 1965, 1971, 1973 and 1976.
- 8 The Maternity Benefit Act, 1961. Amended in 1972, 1973 and 1976.
- 9 The Personal Injuries (Emergency Provision) Act, 1962. Amended in 1971.
- 10 The Personal Injuries (Compensation Insurance) Act, 1963. Amended in 1971.
- 11 The Seamen's Provident Fund Act, 1966.
- 12 The Payment of Gratuity Act, 1972. Amended in 1964.
- 13 The Labour Provident Fund Laws (Amendment) Act, 1976.
- 14 The Employees' Provident Funds and Miscellaneous Provisions Act, 1952—Procedure for Depositing the monthly contribution of Provident Funds.
- 15 The Workmen's Compensation (Amendment) Act, 1976.
- 16 The Employees' Provident Funds Scheme, 1952. Amended in 1977, 1979, 1980, 1981, 1982 and 1983.
- 17 The Employees' Family Pension Scheme, 1971. Amended in 1978, 1981, 1982 and 1983.
- 18 The Employees' Deposit Linked Insurance Scheme, 1976. Amended in 1978, 1980 and 1983.
- 19 The Employees' State Insurance (General) Regulations 1950. Amended in 1978 and 1983.
- 20 The Coal Mines Family Pension (Amendment) Scheme, 1981.
- 21 The Life Insurance Corporation (Amendment) Act, 1981.

- 22 The Coal Mines Provident Fund Scheme, 1948. Amended in 1980 and 1983.
- 23 The Employees State Insurance Corporation (Staff and Conditions of Service) Regulations, 1959. Amended in 1983.

STATES

- 1 The Assam Maternity Benefit Act, 1944. Amended in 1951.
- 2 The Assam Tea Plantation Provident Fund Scheme Act, 1955.
- 3 The Bengal Rural and Unemployment Relief Act, 1939. Amended in 1941.
- 4 The Bengal (West) Maternity Benefit (Tea Estate) Act, 1948. Amended in 1950 and 1959.
- 5 The Uttar Pradesh Maternity Benefit Act, 1938.
- 6 The West Bengal Employees' Payment of Compulsory Gratuity Act, 1971.
- 7 The Orissa Old Age Pension Rules, 1975.
- 8 The Tripura Payment of Gratuity Rules, 1975.
- 9 The West Bengal E.S.I. (Medical Benefits) Rules, 1974.
- 10 The Kerala Agricultural Workers Provident Fund Scheme, 1975.
- 11 The Maharashtra Unemployment Allowance to Workmen in Factories (for temporary period) Ordinance, 1975. Continuance thereof—Recovery and Penalty Provisions.
- 12 The Dadra & Nagar Haveli Workmen's Compensation Rules, 1977.
- 13 Plantations (Welfare Officers) Assam (Amendment) Rules, 1978.
- 14 Rajasthan Coal Mines Provident Fund (Amendment) Scheme, 1980.
- 15 The Punjab Payment of Unemployment Allowance to Educated Unemployed Persons Rules, 1978, and (Third & Fourth Amendments) in 1981.
- 16 The Payment of Gratuity (Maharashtra) Rules, 1972. Amended in 1982 and 1984.
- 17 The Inter-State Migrant Workmen (Regulation of Employment and Conditions of Service) Karnataka.
- 18 The Andhra Pradesh Coal Mines Provident Fund Scheme, 1956. Amended in 1980 and 1983.
- 19 The Goa, Daman and Diu Employees' State Insurance (Medical Benefits) Rules, 1975. Amended in 1982.
- 20 The Assam Tea Plantations Provident Fund and Pension Fund Scheme, 1968. Amended in 1982.
- 21 The Inter-State Migrant Workmen (Regulation of Employment and Conditions of Service) (Tamil Nadu) Rules, 1983.
- 22 The Maharashtra Employment Guarantee Act, 1977. Amended in 1983.
- 23 The Rajasthan Coal Mines Provident Fund (Amendment) Schemes, 1983.
- 24 The Uttar Pradesh Payment of Gratuity Rules, 1975. Amended in 1983.

INDUSTRIAL RELATIONS

CENTRAL

- 1 The Trade Unions Act, 1926. Amended in 1928, 1942, 1947, 1960 and 1964.
- 2 The Industrial Employment (Standing Orders) Act, 1946. Amended in 1950, 1951, 1961, 1963, 1982 and 1983.
- 3 The Industrial Disputes Act, 1947. Amended in 1948, 1949, 1950, 1951 (Thrice), 1952, 1953, 1954, 1955, 1956, 1957, 1964, 1965, 1971, 1972, 1976, 1982 and 1984.
- 4 The Industrial Disputes (Banking Companies) Decision Act, 1955. Amended in 1957 and 1972.
- 5 The Industrial Disputes (Banking & Insurance Companies) Act, 1949. Amended in 1952.
- 6 The Industrial Disputes (Appellate Tribunal) Act, 1950. Amended in 1956.
- 7 The Industrial Disputes (Amendment & Miscellaneous Provisions) Act, 1956.
- 8 The Working Journalists & other Newspaper Employees' (Conditions of Service) & Miscellaneous Provisions Act, 1955. Amended in 1962, 1978, 1979 (Ordinance) and 1981.
- 9 The Working Journalists (Fixation of Rates of Wages) Act, 1958. Amended in 1962.
- 10 The Trade Unions (Recognition) Act, 1977.
- 11 The Working Journalists & other Newspaper Employees' (Conditions of Service) & Miscellaneous Provisions (Amendment) Rules, 1980.
- 12 The Industrial Disputes (Central) Rules, 1957. Amended in 1982 and 1984.
- 13 The Industrial Employment (Standing Orders) Rules, 1946. Amended in 1984.

STATES

- 1 The Bengal (West) Industrial Disputes (Amendment) Act, 1958. Amended in 1971, 1973 and 1974.
- 2 The Bihar Essential Services (Maintenance) Act, 1947.
- 3 The Industrial Disputes (Bihar Amendment) Act, 1959.
- 4 The Bombay Adjudication Proceedings (Transfer and Continuance) Act, 1947.
- 5 The Bombay Industrial Relations Act, 1946. Amended in 1948 (Thrice), 1949, 1953, 1955 and 1966.
- 6 The Bombay Industrial Relations (Gujarat Extension and Amendment) Act, 1961. Amended in 1962 and 1964.
- 7 The Industrial Employment (Standing Orders) (Bombay Saurashtra Amendment) Act, 1953.
- 8 The Industrial Employment (Standing Orders) (Bombay Amendment) Act, 1955 and 1967.
- 9 The C.P. and Berar Validation of Awards & Continuance of Proceedings (Industrial Disputes) Act, 1947.
- 10 The C.P. & Berar Industrial Disputes Settlement Act, 1947. Amended in 1947, 1951 and 1955.
- 11 The Indian Trade Unions (Madhya Pradesh Amendment) Act, 1963.
- 12 The Trade Unions (Madhya Pradesh Amendment) Act, 1968.
- 13 The Madhya Pradesh Industrial Relations Act, 1960. Amended in 1965.
- 14 The Madhya Pradesh Industrial Employment (Standing Orders) Act, 1961. Amended in 1965.
- 15 The Industrial Disputes (Madras Amendment) Act, 1959.
- 16 The Industrial Employment (Standing Orders) (Madras Amendment) Act, 1960.
- 17 The Mysore Essential Services (Maintenance) Act, 1943.
- 18 The Industrial Disputes (Mysore Amendment) Act, 1953.
- 19 The Maharashtra Recognition of Trade Union and Prevention of Unfair Labour Practices Act, 1971.
- 20 The Mysore Industrial Disputes (Amendment & Repealing) Act, 1959.

- 21 The Mysore Labour (Administration) Act, 1952.
- 22 The Industrial Disputes (Orissa Amendment) Act, 1953.
- 23 The Industrial Disputes (Punjab Amendment) Act, 1958.
- 24 The Industrial Disputes (Rajasthan Amendment) Act, 1970.
- 25 The Industrial Disputes (Rajasthan Amendment) Ordinance, 1969.
- 26 The Industrial Disputes (Saurashtra Amendment) Act, 1963.
- 27 The U.P. Industrial Disputes Act, 1947. Amended in 1950, 1951, 1953 and 1983.
- 28 The U.P. Industrial Disputes (Amendment & Miscellaneous Provisions) Act, 1956. Amended in 1957.
- 29 The Maharashtra Industrial Relations (Validations of Certain Proceedings) Act, 1972.
- 30 The Bombay Industrial Relations (Gujarat Amendment) Act, 1972.
- 31 The Himachal Pradesh Trade Unions Regulations, 1978.
- 32 The Bombay Industrial Relations & Industrial Disputes (Gujarat Amendment) Act, 1972.
- 33 The Industrial Disputes (Maharashtra) Act, 1947. Amended in 1973 and 1974.
- 34 The Maharashtra Employment Guarantee Bill, 1977.
- 35 The Industrial Disputes (Bombay) Rules, 1957. Amended in 1977, 1983 and 1984.
- 36 The Gujarat Trade Unions (Amendment) Regulations, 1979.
- 37 The Industrial Disputes (Himachal Pradesh) (Amendment) Rules, 1974.
- 38 The Karnataka Industrial Employment (Standing Orders) (Amendment) Rules, 1979.
- 39 The Industrial Disputes (West Bengal Amendment) Act, 1980.
- 40 The Kerala Industrial Employees' Payment of Gratuity (Amendment) Rules, 1980.
- 41 The Industrial Disputes and Maharashtra Unemployment Allowance Payment to Workers in Factories (for temporary period) (Amendment) Act, 1981.
- 42 The Industrial Establishments (Conferment of Permanent Status to Workmen) Act, 1981.
- 43 The Industrial Disputes (Tamil Nadu Amendment) Act, 1982.
- 44 The U.P. Industrial Peace (Timely Payment of Wages) Rules, 1981.
- 45 The Industrial Disputes (Gujarat) Rules, 1966. Amended in 1982 and 1984.
- 46 The Bombay Industrial Relations (Gujarat) Rules, 1961. Amended in 1982.
- 47 The Bombay Industrial Employment (Standing Orders) Rules, 1959. Amended in 1983.
- 48 The Industrial Disputes (Madhya Pradesh) Act, 1947. Amended in 1983.
- 49 The Industrial Employment (Standing Orders) Punjab Rules, 1978. Amended in 1984.
- 50 The Andhra Pradesh Beedi & Cigar Workers (Conditions of Employment) Rules, 1968. (Amendment).
- 51 The U.P. Industrial Rules, 1957. Amended in 1983.

PROTECTION OF CHILDREN CENTRAL

- 1 The Children (Pledging of Labour) Act, 1933.
- 2 The Employment of Children Act, 1938. Amended in 1939, 1948, 1949, 1951 and 1978.

INDEBTEDNESS STATES

- 1 The Assam Money Lenders' Act, 1934. Amended in 1954.
- 2 The Bengal Workmen's Protection Act, 1934. Amended in 1940.
- 3 The Bihar Workmen's Protection Act, 1948.
- 4 The Bombay Agricultural Debtors Relief Act, 1947.
- 5 The Bombay Money Lenders' Act, 1946. Amended in 1948.
- 6 The C.P. and Berar Adjustment and Liquidation of Industrial Workers Debt Act, 1936.
- 7 The C.P. and Berar Protection of Debtors Act, 1937.
- 8 The Agriculturists Loan (Coorg Amendment) Act, 1936.
- 9 The Coorg Debt Conciliation Act, 1940.
- 10 The Coorg Money Lenders' Act, 1939. Amended in 1946.
- 11 The Madras Debtors' Protection Act, 1934.
- 12 The Madras Workmen's Protection Act, 1941.
- 13 The Orissa Debt and Bondage Abolition Regulation, 1948.
- 14 The Punjab Registration of Accounts Act, 1930.
- 15 The Punjab Relief of Indebtedness Act, 1934.
- 16 The Punjab Debtors' Protection Act, 1936.
- 17 The Punjab Regulation of Money Lender Relief Act, 1954.
- 18 The Saurashtra Agricultural Debtors Relief Act, 1954.
- 19 The Karnataka Debt Relief Ordinance, 1975.
- 20 The Kerala Agricultural Workers Act, 1974.
- 21 The Kerala Agricultural Workers Rules, 1975.
- 22 The Tripura Agricultural Workers Debtors Relief Ordinance, 1975.
- 23 The West Bengal Relief of Rural Indebtedness Act, 1975.
- 24 The Tamil Nadu Debt Relief Act, 1976.
- 25 The Tamil Nadu Debt Relief Rules, 1976.
- 26 The Rajasthan Scheduled Debtors (Liquidation of Indebtedness) Act, 1975.
- 27 The Gujarat Rural Debtors Relief Act, 1976.

MISCELLANEOUS CENTRAL

- 1 The Cotton Industry (Statistics) Act, 1926. Amended in 1950.
- 2 The Employment Exchanges (Compulsory Notification of Vacancies) Act, 1959.
- 3 The Collection of Statistics Act, 1953.
- 4 The C.P.W.D. Contractors' Labour Regulations, 1946.

- 5 The Apprentices Act, 1961. Amended in 1972.
- 6 The Beedi & Cigar Workers' (Conditions of Employment) Act, 1966.
- 7 The Contract Labour (Regulation & Abolition) Act, 1970.
- 8 The Central Labour Laws (Extension to Jammu & Kashmir) Act, 1970.
- 9 The Contract Labour (Regulation & Abolition) Rules, 1971. Construction & Maintenance of Creches.
- 10 The Contract Labour (Regulation & Abolition) Act, 1970. Prohibition of Contract Labour in certain employments in Coal Mines.
- 11 The Bonded Labour System (Abolition) Act, 1976.
- 12 The Bonded Labour System (Abolition) Rules, 1976.
- 13 The Sales Promotion Employees (Conditions of Service) Act, 1976.
- 14 The Sales Promotion Employees (Conditions of Service) Rules, 1976. Amended in 1982.
- 15 The Coconut Act, 1977 (Bill).
- 16 The Domestic Workers (Conditions of Service) Act, 1977 (Bill).
- 17 The Beedi Workers Welfare Fund Rules, 1978.
- 18 The Apprenticeship Rules, 1962. Amended in 1979, 1981 and 1983.
- 19 The Inter-State Migrant Workmen (Regulations of Employment and Conditions of Service) Central Rules, 1980.
- 20 The Paper and Paper Board Cess Rules, 1981.
- 21 The Essential Services Maintenance Act, 1981.
- 22 The Cine Workers and Cinema Theatre Workers (Regulation of Employment) Act, 1981.
- 23 The Inter-State Migrant Workmen (Regulation of Employment and Conditions of Service) Act, 1979.
- 24 The Cine Workers and Cinema Theatre Workers (Regulation of Employment) Rules, 1984.

STATES

- 1 The Bombay Tenancy and Agricultural Lands Act, 1948.
- 2 The C.P. & Berar Regulation of Manufacture of Bidis (Agricultural Purpose) Act, 1948.
- 3 The Hyderabad Public Contractors' Labour Regulations and Fair Wage Clauses, 1951.
- 4 The Jammu & Kashmir Collection of Statistics Act, 1960.
- 5 The Kerala Industrial Establishments (National & Festival Holidays) Act, 1958.
- 6 The Madras Compulsory Labour Act, 1958.
- 7 The Madras Industrial Establishments (National & Festival Holidays) Act, 1958. Amended in 1964.
- 8 The Madras Beedi Industrial Premises (Regulations and Conditions of Work) Act, 1958.
- 9 The Orissa Compulsory Labour Act, 1948.
- 10 The Kerala Cigar and Beedi Industrial Premises (Regulations and Conditions of Work) Act, 1961.
- 11 The Pondicherry Industrial Establishments (National and Festival Holidays) Act, 1964. Amended in 1971.
- 12 The Punjab Industrial Establishments (National and Festival Holidays and Casual and Sick Leave) Act, 1965.
- 13 The U.P. Industrial Establishments (National Holidays) Act, 1961.
- 14 The Uttar Pradesh Industrial Undertaking (Special Provisions for Prevention of Unemployment) Act, 1966.
- 15 The Bombay Mills Act, 1939 as extended to the Province of Delhi.
- 16 The West Bengal Payment of Subsistence Allowance Act, 1969.
- 17 The Himachal Pradesh Industrial Establishments (National & Festival Holidays & Casual & Sick Leave) Act, 1969.
- 18 The Contract Labour (Regulation & Abolition) Jammu & Kashmir Rules, 1972.
- 19 The West Bengal Contract Labour (Regulation & Abolition) Rules, 1972.
- 20 The Goa, Daman & Diu Contract Labour (Regulation & Abolition) Rules, 1972.
- 21 The Andaman & Nicobar Islands Contract Labour (Regulation and Abolition) Rules, 1974.
- 22 The Contract Labour (Regulation & Abolition) Karnataka Rules, 1974 and 1979.
- 23 The U.P. Prohibition of Bonded Labour Act, 1975.
- 24 The Haryana Contract Labour (Regulation & Abolition) Rules, 1975 and 1979. (Amendment).
- 25 The Tamil Nadu Contract Labour (Regulation & Abolition) Rules, 1975.
- 26 The Andhra Pradesh Muttah, Jattu, Hamal and other Manual Workers (Regulation of Employment & Welfare) Ordinance, 1976.
- 27 The West Bengal Rural Employment & Production Act, 1976.
- 28 The Contract Labour (Regulation & Abolition) Madhya Pradesh Rules, 1973. (Amendment).
- 29 The Himachal Pradesh Essential Services (Maintenance) (Amendment) Act, 1979.
- 30 The Punjab Contract Labour (Regulation & Abolition) (Amendment) Rules, 1980.
- 31 The Madhya Pradesh Labour Laws (Amendment) and Miscellaneous Provisions Act, 1981.
- 32 The Tamil Nadu Manual Workers (Regulation of Employment and Conditions of Work) Act, 1982.
- 33 The (Gujarat) Safety Officers Duties, Qualifications and Conditions of Service Rules, 1983.
- 34 The Karnataka Khadi & Village Industries Act, 1956. Amended in 1983.
- 35 The Kerala Headload Workers Rules, 1981. Amended in 1983.

APPENDIX II

REPORT OF THE COMMITTEE CONSTITUTED TO EXAMINE ITEM 4 OF THE AGENDA OF THE NATIONAL LABOUR CONFERENCE (SEPTEMBER, 1982)

(CHAIRMAN: MR. SANAT MEHTA)

Subject: LAWS ON INDUSTRIAL DISPUTES AND TRADE UNIONS—OUTLINES OF SUGGESTED CHANGES

INTRODUCTION

1 One of the items included for consideration at the National Labour Conference held on the 17th and the 18th September, 1982, related to important industrial relations issues—further amendments to the

Industrial Disputes Act, 1947 and the Trade Unions Act, 1926. The Conference referred this item for detailed examination to a Committee under the Chairmanship of Shri Sanat Mehta, Minister of Finance and Labour, Gujarat, in which State Governments, Central Workers' and Employers' Organisations, who participated at the conference were represented. The Committee gave certain recommendations on the issues referred to it and these were unanimously adopted at the Conference. The Government convened a second meeting of this Committee on the 8th October, 1982 to consider the various suggestions in item 4 of the Agenda, which were not covered by the recommendations of the Committee. It was decided at that meeting that the Convener of the Committee would prepare a Note indicating a draft outline of the manner in which the recommendations already made by the Committee could be translated in the form of legislation.

2 The Note was prepared by the Convener at the request of the Committee which is not to be taken as the views of the Ministry of Labour on the various issues. It also covered the left-over items of the relevant Memorandum of the N.L.C. This was considered at the subsequent meetings of the Committee held on the 10th December and 20th December, 1982. In the light of the outcome of the discussions on the various items covered in the Note the Committee agreed to recast the outline of the suggested changes on the lines indicated below:

A) INDUSTRIAL RELATIONS ACT

Industrial Relations Commissions, Standing Labour Courts and Procedure for Settlement of individual and collective disputes

2.1.1 The National Labour Conference had recommended setting up of Industrial Relations Commissions, both at the Centre and the State levels as the machinery for resolutions of Industrial disputes, in the same manner and with the same functions as recommended by the National Commission on Labour. The National Commission had recommended (see Annexure) that the Industrial Relations Commissions will be an authority independent of the executive and the main functions would be (a) conciliation, (b) adjudication in industrial disputes, and (c) certification of unions as representative unions. The President of the Commission would have judicial qualifications and experience and there would be judicial and non-judicial members to assist him. The non-judicial members would be persons of eminence in the field of industry, labour or management. The judicial members should be persons who are eligible for appointment as judges of a High Court. The Conciliation Wing will consist of conciliation officers with or without judicial qualifications.

2.1.2 The Committee recommends that the proposed new legislation shall provide for setting up of independent Industrial Relations Commissions and the constitution, set up, qualifications of Chairman, Members, the supporting officers and staff shall be on the same lines as given in the recommendations of the National Commission on Labour. The law has to reflect the exact position and Government may work out the details in consultation with the State Governments.

2.2 The procedure for settlement of individual disputes would be by a simple grievance redressal procedure with built-in grievance arbitration. In respect of collective disputes, where collective bargaining fails, the normal means for settlement would be by arbitration. Where arbitration is not acceptable to the parties they can approach the Conciliation Wing of the I.R.C. which would mediate with a view to help the two parties to arrive at a Bipartite settlement. The adjudication Wing of the I.R.C. will deal with issues where the Conciliation Wing is not in a position to sort them out. The decision of the adjudicator would be final and binding on the parties. The Certification Wing would deal with all matters connected with registration of unions and identification of a negotiating agent and other issues specifically referred to it.

2.3 Standing Labour Courts would also function at the Centre and the States under the overall supervision of Industrial Relations Commissions. These would deal with disputes relating to rights and obligations, interpretation and implementation of awards and claims arising out of rights and obligations under the relevant provisions of law or agreements as well as disputes in regard to unfair labour practices and the like, vide Recommendation No. 192 of the National Commission on Labour.

2.4 The Labour Courts would have powers for execution of the decisions of the I.R.Cs., Arbitrators, Settlements and rights due under the statutes, directly, in the same manner a Collector is authorised to collect revenues. The Courts would be provided with mamlatdars/tahsildars, bailiffs and other staff with powers of Revenue Recovery and power as available to Judicial courts for suction of properties so that the money realised can be made available to the beneficiaries by the Courts directly.

Collective Bargaining Agent

3.1 Statutory provision may be made for having a collective bargaining agent at the unit/industry level and the question as to who would be the agent would be decided by the check-off system. The check-off system would operate on the basis of a written authorisation which would be valid for a period of three years given by every employee to the employer under intimation to the union concerned. The Trade Unions have to abide by a new Code of Conduct for being eligible to compete for check-off and recognition as a collective bargaining agent and no craft/category-wise union would be eligible to benefit from check-off or recognition. There would be a sole collective bargaining agent, wherever feasible; failing which a composite-bargaining council with proportional representation subject to a minimum membership. The percentages of membership for qualification as sole agent or for inclusion in the council would be laid down by the I.R.Cs. keeping in view the conditions of the industry, the area of operation, including the extent of unionisation in that undertaking/industry. The recognition once granted would be valid for an initial period of three years and this status will continue till it is successfully challenged by others or when the recognised union violates the Code of Conduct. The disqualification arising out of violation of the Code would operate for a specified period.

3.2 The above recommendations can be given effect to by having a new chapter in the Industrial Relations Act on 'Collective Bargaining Agent'. The criteria for selection as a sole bargaining agent or as

a member of the collective bargaining council has to be on such lines as indicated below:

- i Where there is only one eligible registered union in a unit/industry it shall be certified as the sole bargaining agent, provided it has a minimum percentage of membership as the I.R.C. may prescribe.
- ii Where there are more than one registered unions in a unit/industry, the union with the maximum support, which shall not be less than 40 per cent for a unit-wise union, or 25 per cent for an industry-wise union, shall be certified as the sole bargaining agent.
- iii Where the conditions stipulated in (i) and (ii) above are not satisfied, the registered trade unions in the unit/industry with a minimum membership as decided by the I.R.C. depending on the extent of unionisation in the unit/industry, may constitute a composite bargaining council for the unit/industry chosen from among the eligible registered trade unions in the unit/industry.
- iv The Trade Unions certified as collective bargaining agent or as members of the collective bargaining council may give a written undertaking to abide by the prescribed code of conduct as a pre-condition for being considered for certification and for continued functioning as the agent/ member of the council.

Method of Determining the Representative Character of Trade Unions

4 The verification of membership of every registered trade union/industry would be carried out by the Certifying Wing of the I.R.C. and for this purpose the I.R.C. will rely on the check-off particulars available with the employer. Initially for a period of six months from a specified date every registered trade union in the unit/industry would have the facility of check-off. After the results of verification are known only the recognised union/unions will continue to have that facility. Every union/unions certified as collective bargaining agent/member of the Collective Bargaining Council will continue to have the status till it is successfully challenged, after an initial period of three years.

Rights of a Collective Bargaining Agent and other Unions

5.1 A recognised union, including members of the Council, should alone have, among other things, the right to sole representation for entering into collective agreements on wages and other terms of employment and conditions of service of workmen, right to call for a strike in accordance with the procedure prescribed, right for continued availability of check-off, right for representation in all bipartite and tripartite committees/councils, right to discuss all matters with the employer and to inspect by prior agreement the place of work of any of its members and the right to seek and receive information relevant for collective bargaining purposes.

5.2 All registered trade unions will have the right to represent the cause of their workers on all matters connected with individual disputes.

Check-off

6.1 The recommendation is that each employee will be free to indicate to the management, the union of which he is a member and authorise the management in writing to recover from his wages the union subscription and remit it to the union. The check-off authorisation by the employees would be valid for a period of three years.

6.2 The Payment of Wages Act, 1936 has already been amended so as to provide that deductions made, with the written authorisation of the employed persons, for payment of the fees payable by him for the membership of any trade union registered under the Trade Unions Act, 1926 would constitute valid deductions.

6.3 All disputes relating to check-off will be decided by the I.R.C.

CODE OF CONDUCT

a) Trade Union Organisations

7.1 The recommendation is that only such trade union organisations should be eligible for recognition as Collective Bargaining Agent, who qualify according to a fresh Code of Conduct to be laid down.

7.2 A list of Unfair Labour Practices is now given in the Fifth Schedule to the I.D. Act, 1947 (yet to be brought into force). What is now required is to spell out certain positive attitudes the trade unions should adopt so that the members and office-bearers of trade unions function with a sense of dedication in the cause of the unit/industry. Some of the aspects that could be brought in the proposed Code are:-

- i Every employee in an industry or unit shall have the freedom and right to join a union of his choice. No coercion shall be exercised in this matter.
- ii There shall be unreserved acceptance of and respect for, democratic functioning of trade unions.
- iii There shall be regular and democratic elections of executive bodies and office-bearers of trade unions.
- iv Casteism, communalism and provincialism shall be eschewed by all unions.
- v The trade union shall make every member conscious of his duties and impress on them the need to work with dedication and sincerity.
- vi The trade union shall not encourage its members to participate in sympathetic strikes, bandhs, etc. which have nothing to do with any of workers' grievances.

b) Employers

7.3 The Committee had also recommended that there shall be a Code of Conduct for employers. The following could form part of such a Code:

- i The employer shall not declare any lockout, closure, or lay-off or retrenchment, except in accordance with the procedure laid down in the Act and prior consultation with the recognised collective bargaining agent.
- ii All schemes of rationalisation, automation and the like shall in the first instance be discussed with the collective bargaining agent/ bargaining council.
- iii The employer shall not violate the terms and conditions of service of the workers.

- iv The employer shall faithfully implement the provisions of all labour laws.
- v The employer shall accept arbitration when unions offer settlement of disputes.

7.4 Wherever the employer or union violates the Code the I.R.C. shall impose appropriate punishment including suspension or cancellation of recognition in the case of trade union and appropriate deterrent fine in the case of employers.

Arbitration

8.1 The Committee had recommended that all individual disputes shall be settled by a simple grievance redressal procedure with built-in grievance arbitration. Government had already amended the I.D. Act, 1947 to provide for a system of grievance settlement machinery. This provision can be further augmented by providing that wherever an individual remains still aggrieved by the award of the grievance machinery he will have an automatic right to invoke arbitration and every industrial establishment having 50 or more workmen will have a mutually acceptable grievance Arbitrator. In dealing with an individual dispute the Arbitrator will have the same powers as are available under Section 11A of the I.D. Act, 1947, and the Arbitrator shall also call for fresh evidence for deciding an issue in the interest of securing the ends of justice. He may also have powers for grant of interim relief by way of subsistence allowance to individual workmen, subject to conditions of non-employment elsewhere during the pendency of the case in arbitration.

8.2 The Committee had recommended voluntary arbitration also in respect of collective disputes as the normal means of settling disputes wherever collective bargaining fails. Further the award of the Arbitrator including the grievance arbitration award shall be a speaking award, and it shall be final and binding on all parties and shall not be called in question in any court except on grounds of the Arbitrator having acted without jurisdiction or on grounds of perversity.

Strikes and Lockouts

a) Procedure for strikes and lockouts

9.1 The N.L.C. had recommended that every strike whether in an industry classified as essential or not shall be preceded by a strike ballot in which all the workers in the establishment are allowed to participate and resort to strike may be made only if the results of the ballot show that not less than 60% of the workers support the strike.

9.2 At present the only requirement before going on strike, and that too in relation to public utility services, is serving of a notice. The law may provide that only a certified collective bargaining agent or a member of the composite bargaining council shall have a right to serve a notice of strike. Further the notice will be served only in furtherance of a collective demand and after mutual discussions had failed, and arbitration has been refused by the employer prescribed and the results of the ballot show that 60% of the workmen of the unit/industry support the strike. The strike ballot would be supervised by the IRC.

9.3 No lock-out could be declared by an employer unless collective bargaining has failed and the union has refused arbitration and it is otherwise permissible under the law and this should be preceded by a decision taken at the highest level of the establishment. However exception could be made in cases of extreme violence for purposes of protecting life and property.

9.4 The Labour Courts would be the authority to decide whether a strike or lock-out is legal and while doing so the court shall take into account the circumstances which led to it and the views of the collective bargaining agent, the employer and the appropriate government. For getting a decision on this, the collective bargaining agent, the employer and the Government can approach the Labour Court directly.

9.5 Every workman would be free to file an application before the courts for strike/lock-out period wages and the Labour Court can decide the admissibility of wages as an incidental matter and thereafter proceed to compute the same and order payment.

i) 'Go-slow'

10 The present definition of the term 'Strike' in the Industrial Disputes Act, 1947, does not cover 'go-slow'. The definition of the term 'strike' shall include 'go-slow' on the lines provided in Maharashtra Act.

ii) Public Utility Services

11 There is no need for a separate concept as Public Utility Services.

iii) Settlement and awards

12.1 When a settlement is arrived at as between employer and the collective bargaining agent/council or there exists a conciliation settlement, such settlements may prescribe a period of validity, which may not be less than three years, and no union, workman or management shall challenge the settlement during the period of validity of the settlement.

12.2 All awards shall remain in force for a period of three years or such longer period as indicated in the award or settlement and this may apply also to arbitration awards.

iv) Section 25-M and 25-N Chapter VB—lay-off and retrenchment

13.1 The existing provisions on lay-off will continue. As far as the procedure is concerned, no workman shall be laid off by his employer except with the previous permission of the authority specified by the appropriate Government.

13.2 Section 25-M and 25-N may also be restructured on the same lines as the revised Section 25-O incorporated in the Industrial Disputes (Amendment) Act, 1982, so that the sections provide for (i) giving notices in writing, (ii) holding of enquiries, (iii) guidelines for the authorities to follow before granting or refusing to grant permission and (iv) a provision for appeal against the orders of the specified Authority.

v) Chapter VA

14 Chapter V-A and Chapter V-B may be integrated. Further the integrated chapter will apply to all activities, irrespective of whether they are factories, mines or plantations, so that the employer in every industrial establishment employing 100 or more workmen would have to obtain prior approval for lay-off, retrenchment and closure.

vi) Definition of the term 'retrenchment'

15 The term 'retrenchment' may be redefined so that in addition to what is already provided in the Act, the term may not include

- a) voluntary abandonment of service without intimation
- b) compulsory retirement according to the provisions of Standing Orders or contract of employment by giving notice after the minimum prescribed years of service, and not for reasons of disciplinary action.

The representatives of the State Governments did not want any change in the existing definition. The representatives of the employers had their own views on what is meant by retrenchment and the Chairman agreed to incorporate their views as such. No such views have been received.

vii) Regulation of Conditions of Service by Government under certain circumstances

16 Whenever there is an industrial dispute and the employer and workman are unable to come to any settlement on matters in dispute, be it in an industry covered as an essential service under the Essential Services Maintenance Act or otherwise, after the dispute is seized in conciliation, arbitration or adjudication, the I.R.C. may issue an order requiring the employers, workmen, or both to observe, for such period as may be specified in accordance with that order certain terms and conditions in relation to their workmen. This would be purely an interim measure and would cease to operate once there is a settlement or the adjudicator gives an interim or final award in the dispute.

viii) Protection of legitimate trade union activities

17 A specific provision may be made in the law to the effect that the office-bearers of a union or unions certified as bargaining agent/member of council would have protection from acts such as dismissal, termination of employment, changes in the conditions of service and connected matters as long as they are office-bearers and for a further period of three years immediately after relinquishing such office. This protection would, however, not be available to an office-bearer where he commits a proved misconduct.

ix) Definition of the term 'employer'

18 The term 'employer' may be redefined as :

"Employer includes, where the owner of any undertaking in the course of or, for the purposes of conducting the undertaking, contracts with any person for the execution by or, under the contractor of the whole or, any part of any work which is ordinarily part of the undertaking the owner of the undertaking."

The Labour Secretary, Maharashtra would make available to the employers the details of the case laws indicating what the term 'ordinarily' means.

x) Notice of Change—Section 9A

19 The Act may provide that every objection to a notice of change raised by the bargaining agent/council and not sorted out would be an industrial dispute and the procedure accepted for resolution of collective disputes would be followed.

xi) Time limit for raising disputes and for filing application under Section 33-C(2)

20 It was decided that no time limit is necessary for raising of disputes. To check old and stale cases being the subject matter of reference to Labour Courts the law may provide a time limit of twelve months for filing applications. This can be waived where the applicants satisfy the authority that they had sufficient cause for not making the application within such period, and the maximum period for admitting delayed applications shall be three years.

xii) Unfair Labour Practices

21 The list of Unfair Labour Practices in the Schedule of the I.D. Act has to be reviewed particularly in the context of the Code of Conduct. All complaints of violations of the provisions of Chapter VI and the Fifth Schedule to the Act may be treated as offences which I.R.Cs. may decide as Courts and for this purpose the provisions of Section 30 of the Maharashtra Recognition of Trade Unions and Prevention of Unfair Labour Practices Act shall be adopted. It was also accepted that to check double proceedings the provisions of Sec. 59 of the Maharashtra Recognition of Trade Unions and Prevention of Unfair Labour Practices Act shall also be adopted.

B) TRADE UNIONS ACT

22 It was agreed that with the coming into force of a new I.R. Law with I.R.Cs. as the authority, the functions of the Registrars of Trade Unions would be done by the Certification Wing of the I.R.C. and the powers that are necessary have to be redefined in that context. The Committee made the following recommendations on some aspects relating to amendments to the Trade Unions Act, 1926 as listed in the Memorandum.

i) Provisions for delegation of powers from Centre to State

At present there is no provision for delegation of powers to State Governments or its officers by the Central Government in so far as functions of the Central Government as appropriate Governments, is concerned. No uniform procedure is followed in respect of registration of Trade Unions whose objects are spread over more than one state. The Present arrangement which emanates from powers delegated to State Governments under the Constitution needs to be specifically spelt out in the Act itself. The Committee recommends that a provision on the same lines as in Section 39 of the Industrial Disputes Act be made in the Trade Unions Act, 1926.

ii) The I.R.Cs. while dealing with trade union matters will have powers to review their decisions and what should be the nature of this and other provisions could be left to the I.R.Cs. to formulate.

iii) Item (h) of Section 6 of the Trade Unions Act provides that the Rules of the Trade Union applying for registration provide for the manner in which the members of the executive and the other office-bearers of the Trade Union shall be appointed and removed. In the absence of a stipulation for a minimum tenure for office-bearership, certain office-bearers continue in office indefinitely and election to office-bearership are never held. The Committee recommends that the Rules should provide a limit of two or three years.

iv) In the interest of better management of funds of Trade Unions, auditing of the accounts of the Funds

of Trade Unions should be conducted by outsiders where the total membership of the Union is 300 or above. In other cases they may choose an auditor from among the persons included in the Panel of auditors maintained by I.R.Cs. and Government would bear the expenses for audit.

v) The mode, frequency, need, etc. connected with operation of Section 28(4) of the Act for dealing with Returns would be left to the IRCs discretion.

vi) The Act does not provide for penalty for failure to maintain accounts. In the absence of this, the position relating to maintenance and scrutiny of accounts are not proving effective. The suggestion is to make these punishable with fine (the fine being a maximum of Rs 2,000/-).

vii) *Registration of Central Organisation of Workers and Employers*

The Central Organisations of Workers and Employers including Federation would also get themselves registered as trade unions and the registration would be with reference to the number of unions affiliated to them. The representative of the HMS(K) while agreeing to this mentioned that he is not competent to be a signatory to this recommendation and his Note of dissent recorded.

CONCLUSION

23 The Committee concluded its proceedings with an observation that Government may take urgent steps to give legislative shape to the unanimous recommendations of the N.L.C. and the views of the Committee on the issues referred to it, which are outlined in the preceding paragraph.

APPENDIX III

RECOMMENDATIONS OF THE NATIONAL COMMISSION OF LABOUR

A) INDUSTRIAL RELATIONS COMMISSION

- 175 The present arrangement for appointing ad hoc industrial tribunals should be discontinued. An Industrial Relations Commission (IRC) on a permanent basis should be set up at the Centre and one in each State for settling 'interest' disputes. The Industrial Relations Commission will be an authority independent of the executive.
- 176 The National Industrial Relations Commission should be appointed by the Central Government for industries for which that Government is the appropriate authority. The National Industrial Relations Commission would deal with such disputes which involve questions of national importance or which are likely to affect or interest establishments situated in more than one State. Its scope should be broadly the same as that of National Tribunals under the Industrial Disputes Act, 1947.
- 177 Each State should have an Industrial Relations Commission for settlement of disputes for which the State Government is the appropriate authority.
- 178 The main functions of the National/State Industrial Relations Commissions will be (a) adjudication in industrial disputes, (b) conciliation and (c) certification of unions as representative unions.
- 179 The Commission should be constituted with a person having prescribed judicial qualifications and experience as its President and an equal number of judicial and non-judicial members; the non-judicial members need not have qualifications to hold judicial posts, but should be otherwise eminent in the field of industry, labour or management. Judicial members of the National Industrial Relations Commission, including its President, should be appointed from among persons who are eligible for appointment as judges of a High Court.
- 180 The Conciliation Wing of the Commission will consist of conciliation officers with the prescribed qualifications and status. There will be persons with or without judicial qualifications in the cadre of conciliations. Those who have judicial qualifications would be eligible for appointment as judicial members of the Commission after they acquire the necessary experience and expertise. Others could aspire for membership in the non-judicial wing.
- 181 The functions relating to certification of unions will vest with a separate wing of the National/State Industrial Relations Commission.
- 182 The Commission may provide arbitrators from amongst its members/officers in case parties agree to avail of such services. The Commission may permit its members to serve as Chairmen of Central/State Wage Boards/Committees, if chosen by the appropriate Government for such appointment.

After negotiations have failed and before notice of strike/lock-out is served, the parties may agree to voluntary arbitration and the Commission will help the parties in choosing a mutually acceptable arbitrator. Alternatively, either party may, during the period covered by the said notice, approach the Commission for naming a conciliator within the Commission to help them in arriving at a settlement.
- 184 In essential industries/services, when collective bargaining fails and when the parties to the dispute do not agree to arbitration, either party shall notify the Industrial Relations Commission with a copy to the appropriate Government, of the failure of negotiations where upon the Industrial Relations Commission shall adjudicate upon the dispute and its award shall be final and binding upon the parties.
- *185 In the case of non-essential industries/services following the failure of negotiations and refusal by the parties to avail of voluntary arbitration, the Industrial Relations Commission after the receipt of notice of direct action (but during the notice period) may offer to the parties its good offices for settlement. After the expiry of the notice period, if no settlement is reached, the parties will be free to resort to direct action. If direct action continues for 30 days it will be incumbent on the Industrial Relations Commission to intervene and arrange for settlement of the dispute.
- *186 When a strike or lock-out commences, the appropriate Government may move the Commission to call for the termination of the strike/lock-out on the ground that its continuance may affect the security of the State, national economy or public order and if after hearing the Government and the parties concerned, the Commission is so satisfied, it may, for reasons to be recorded, call on the parties to terminate the strike/lock-out and file their statements before it. Thereupon, the Commission shall adjudicate on the dispute.

- 187 It should be possible to arrange transfer of cases from the National Industrial Relations Commission to the State Industrial Relations Commission and vice-versa under certain conditions.
- 188 a) The Commission will have powers to decide to pay or withhold payments for the strike/lock-out period under certain circumstances.
- b) If during the pendency of the strike or thereafter, the employer dismisses or discharges an employee because he has taken part in such strike, it would amount to unfair labour practice, and on proof of such practice, the employee will be entitled to reinstatement with back wages.
- 189 All collective agreements should be registered with the Industrial Relations Commission.
- 190 An award made by the Industrial Relations Commission in respect of a dispute raised by the recognised union should be binding on all workers in the establishments and the employers.

B) LABOUR COURTS

- 191 a) Standing Labour Courts should be constituted in each State. The strength and location of such courts will be decided by the appropriate Government.
- b) Members of the Labour Court will be appointed by Government on the recommendations of the High Court. Generally, the Government should be able to choose from a panel given by the High Court in the order in which the names are recommended.
- 192 a) Labour Courts will deal with disputes relating to rights and obligations, interpretation and implementation of awards and claims arising out of rights and obligations under the relevant provisions of law or agreements as well as disputes in regard to Unfair Labour Practices and the like.
- b) Labour Courts will thus be the Courts where all disputes specified above will be tried and their decisions implemented. Proceedings instituted by parties asking for the enforcement of rights, falling under the aforesaid categories will be entertained in that behalf. Appropriate powers enabling them to execute such claims should be conferred on them.
- 193 Appeals over the decisions of the labour in certain clearly defined matters may lie with the High Court within whose jurisdiction/area the Court is located.

BRAOU

UNIT 16 EMPLOYEE DISCIPLINE

Objectives

Once you have completed this unit, you should be able to:

- define the concept of discipline
- identify the various dimensions of discipline
- identify the type of power/authority that is conducive for developing positive discipline
- identify the factors leading to indiscipline
- explain the judicial process of dealing with indiscipline, and the various kinds of punishment

Structure

- 16.1 Introduction
- 16.2 What is Discipline?
- 16.3 Compliance and Social Order
- 16.4 Indiscipline
- 16.5 Disciplinary Action
- 16.6 Judicial Approach to Discipline
- 16.7 Summary
- 16.8 Self-assessment Test
- 16.9 Key Words
- 16.10 Further Readings
- Appendix

16.1 INTRODUCTION

Employee discipline is the backbone of industrial relations. In fact, the function of management is to keep an enterprise going on smoothly, efficiently and profitably. To do this, you need a workforce that has to accept certain reasonable standards of behaviour at the workplace. Effective employee performance depends on the willingness on the part of your subordinates to carry out the orders of their superiors, to abide by the rules and norms of your organisation.

The purpose of this unit is to discuss and examine what discipline is, what the various aspects of employee discipline are, and how positive discipline can be achieved by you from your subordinates. We shall also examine the judicial process of maintaining industrial discipline, and how to deal with indiscipline among industrial employees.

16.2 WHAT IS DISCIPLINE?

The first thing most people associate with the concept of discipline is the act of punishment. This is so because discipline, in its narrowest sense, is used to refer to the act of imposing penalties for "wrong" behaviour. However, it is important to remember that this negative expression is only a part of the meaning of the word discipline.

Discipline means orderliness, obedience and maintenance of proper subordination among employees and a check or restraint on the liberty of individual. It is at once a training that corrects, moulds and strengthens the individual behaviour. It is also a force which prompts an individual or group to observe certain rules, regulations and procedures that are considered to be necessary for the attainment of an objective.

Discipline implies a state of order in an organisation. It means proper appreciation of the hierarchical superior-subordinate-relationship. It is, in other words, adherence to established norms and regulations. It corrects improper conduct and thus acts as a force leading to the observance of rules and regulations. It is, you may say, essentially an attitude of the mind, a product of culture and environment. Therefore,

discipline cannot be maintained merely with the help of legislative sanctions; it requires persuasion on a moral plane.

In your own context of the work situation, the concept of discipline emerges from your interaction with your subordinates. And your interaction with your subordinates is governed by various formal and informal rules and regulations. Your company's manual or standing orders provide the formal rules and regulations, including work-related behaviour rules. But, these formal rules are not sufficient to cover the wide range of interaction that you and your subordinates are engaged in the complex context of industrial relations. A large part of your behaviour and interaction with your subordinates is governed by informal and unwritten rules and norms. These informal rules and norms that support and legitimise practice are based on convention and culture of the organisation.

Let us now distinguish the major aspects of discipline.

Negative Discipline

Negative discipline involves force or an outward influence. It is the traditional aspect of discipline and is identified with ensuring that subordinates adhere strictly to rules, and punishment is meted out in the event of disobedience or indiscipline. As you can see, in this perspective strict penalties are levied for the violation of rules. It is, in fact, the fear of punishment that works as a deterrent in the mind of the subordinate. Approaching discipline from this kind of a perspective has been proving increasingly ineffective for various reasons.

Positive Discipline

In this type of discipline subordinates comply with the rules not from fear of punishment, but from the desire to cooperate in achieving the common goal of the organisation. In positive discipline willingness to comply is most important. The emphasis here is on cooperative efforts to secure compliance to organisational norms. It promotes emotional satisfaction instead of emotional conflict, and the increased cooperation and coordination reduces the need for formal authority. This approach to discipline will help you to achieve both individual needs of the subordinates and organisational goals for you. It would therefore motivate your subordinates to work with zeal and fulfil their needs. Positive discipline, in other words, calls for internalisation by your subordinates of the objectives and expected norms of behaviour in your organisation. The positive concept of discipline assumes a certain degree of self-discipline.

Discipline as Self-control

Discipline at one level means training that corrects, moulds, strengthens, or perfects the behaviour. Discipline, in this sense, refers to the development of an individual, i.e., one's efforts at self-control for the purpose of adjusting oneself to certain needs and demands. This is nothing but what you would call self-discipline. You will agree with us that it is extremely important to have this kind of self-discipline both in you and in your subordinates for effectively and efficiently achieving your organisational objectives. Here again the emphasis is on establishing and ensuring a minimum degree of orderliness. This orderliness is obtained in the modern work context by increasing the degree and extent of compliance by subordinates. Let us examine it a little more closely.

16.3 COMPLIANCE AND SOCIAL ORDER

Compliance is a relationship between you as a superior/manager who exercises power and your subordinates who are subjected to your power and authority. It is a relationship which consists of the power employed by the superior to control the subordinates on the one hand, and the orientation of the subordinates to this power, on the other.

Compliance, in this sense, combines a structural aspect and a motivational aspect. The structural aspect involves the kind of power possessed and the manner in which it is used by the superior. The motivational aspect is concerned with the different

kinds of orientations with which the subordinates respond to the power that is being exercised over them.

Kind of Power

Here the word "power" is used to mean the ability of a person to influence the behaviour/thinking of other(s). Depending on how one derives this ability, we can distinguish broadly three kinds of power. The three major sources based on which people acquire power are:

- i) Coercion or physical means
- ii) Economic assets or material means
- iii) Normative values or symbolic means

Thus, power differs according to the means employed by the power holder to make the subordinates/subjects comply (obey).

Coercive power rests on the application, or the threat of application, of physical sanctions, e.g., pain, deformity, etc.

Remunerative power is based on control over material resources through allocation of salaries, wages, commissions, fringe benefits, etc.

Normative power rests on the allocation and manipulation of symbolic rewards, e.g., esteem, prestige symbols, etc.

Types of Involvement

As there are three kinds of power, we can also distinguish three kinds of orientation from the subordinates who are subjected to power. The orientation may be partly determined by the degree to which the power applied is considered legitimate by the subordinates, and partly by the congruence with the line of action the subordinates desire. The different types of orientation thus result in different kinds of involvement.

Alienative involvement designates an intense negative orientation on the part of the subordinate. People with such orientation tend to be alienated from their superior and their organisation.

Calculative involvement designates either a negative or a positive orientation of low intensity. Involvement in this sense is always with very tangible benefits which the subordinates clearly visualise for themselves.

Moral involvement designates a positive orientation of high intensity. This is based on internalisation of norms by the subordinates whereby they identify themselves with the goals/needs of the group/organisation.

Types of Compliance

The compliance relationship as mentioned earlier is established by the combination of the kind of power exercised on the subordinate and the type of involvement developed by the subordinate in response to the power. Combining the three kinds of power with the three types of involvement, we get nine types of compliance relationship as shown in the following table:

Kinds of Power	Kinds of Involvement		
	Alienative	Calculative	Moral
Coercive	①	2	3
Remunerative	4	⑤	6
Normative	7	8	⑨

Of the nine possible combinations, 1, 5 and 9 are, as you will notice, of a congruent nature and found more frequently than the other six which are incongruent in their relationship.

You will notice that the closer is the involvement of subordinate towards the moral pattern the easier it will be for you as a superior to enforce discipline among them. Similarly, the closer is the pattern of involvement towards the alienative type the more problems you will have in terms of discipline.

Activity A

Examine the predominant kind of power exercised by you and other managers in your organisation and the type of involvement by the subordinates. Combining the two, try and establish the compliance pattern prevalent in your own organisation.

16.4 INDISCIPLINE

Indiscipline refers to the absence of discipline. Indiscipline, therefore, means non-conformity to formal and informal rules and regulations. We cannot afford indiscipline as it will affect the morale, involvement and motivation of subordinates in the organisation. Indiscipline often leads to chaos, confusion, and reduces the efficiency of the organisation. It often leads to strikes, go-slows, absenteeism, resulting in loss of production, profits and wages.

Factors Leading to Indiscipline

Various socio-economic and cultural factors play a role in creating indiscipline in an organisation. We wonder if you realise the fact that often indiscipline may arise because of poor management on your part. Insensitive and thoughtless words and deeds from a manager are potent reasons for subordinates to resort to acts of indiscipline. Defective communication by the superiors and ineffective leadership devoid of tactful human relations approach can cause indiscipline among subordinates. Indiscipline by your subordinate may be an outcome of your non-response to his grievance.

Your subordinates may indulge in acts of indiscipline because of unfair practices on your part, like the wage differentials, unreasonable declaration of payment of bonus or non-payment, wrong work assignments, defective grievance handling, etc. The payment of low wages is perhaps another reason for indiscipline. When the worker is paid low wages and in addition you demand more and more work from him, he becomes dissatisfied, dishonest and insubordinate. Poverty, frustration and indebtedness, generally overshadow his mind which makes him agitated and indisciplined. His mind and thought are more towards destruction than constructive discipline.

Low payment of wages also creates lack of motivation in your subordinates. After all, each individual needs response, security, recognition and new experience. A workman joins your organisation and agrees to give a certain amount of work and loyalty, while he expects at the same time, in return, an adequate economic reward, security, fair human treatment and other kinds of support from you. If he does not get what he expected, he starts getting dissatisfied. He gradually begins to express his grievance by way of absenting himself, coming late to the office, inefficiency and insubordination.

Defective communication between you and your subordinate also leads to conflict of various kinds. Very often your subordinates get no opportunity to express their feelings and sentiments. Unless you adopt a humane and understanding approach there is more likelihood that your subordinate may take recourse to indiscipline.

Forms of Indiscipline

Absenteeism, insubordination, violation of plant rules, gambling, incompetence, damage to machine and property, strikes, dishonesty and other forms of disloyalty lead to industrial indiscipline. These are all forms of misconduct against the management. If an act of an employee is prejudicial or likely to be prejudicial to the interests of the employer or to his reputation, it is a misconduct. The act of an employee can become a misconduct in the following cases:

- a) where the act of a workman is inconsistent with the peaceful discharge of his duty towards his employer;
- b) where the act of the employee makes it unsafe for the employer to retain him in service;
- c) where the act of the employee is so grossly immoral that all reasonable men would not trust that employee;
- d) where the conduct of the employee is such as to open before him ways for not discharging his duties properly;
- e) where the conduct of the employee is such that the employer cannot rely on his faithfulness;
- f) where the conduct of the employee is insulting and insubordinate to such a degree as to be uncomfortable with the continuance of a superior-subordinate relationship;
- g) where the workman is abusive or he disturbs the peace at the place of his employment; and
- h) where the employee is habitually negligent in respect of the duties for which he is engaged.

It is very difficult to lay down exhaustively as to what would constitute misconduct and indiscipline. It would depend upon the examination of facts. Some of the acts of misconduct are mentioned in the Model Standing Orders as a part of the rules made under the Industrial Employment (Standing Orders) Act of 1946. Non-performance of duty is a serious misconduct, because it is basically inconsistent with the obligations of employment. Under the act of negligence, an employee fails to give full care and attention on account of which the work becomes defective, and production suffers both in quantity and quality. It is a misconduct to cause disorder on the premises, intimidate, threaten or assault other employees and use abusive language. Preventing the entry and exit of willing employees and movement of goods to and from the factory, obstructing the work being carried on, damaging the property of the employer, indulging in mischief or other objectionable activities, occupying the employer's premises or property, go-slow, etc. are forms of misconduct.

Insubordination, assault or threat to superior officers, defamation, making false complaint, are all acts of indiscipline. Non-performance of work during working office hours, tampering with official records, misappropriation of accounts are acts of indiscipline which are considered to be of serious gravity.

16.5 DISCIPLINARY ACTION

For every misconduct and act of indiscipline, you as a manager will have to take a disciplinary action against the concerned worker. However, there is no hard and fast rule to deal with indiscipline. The positive approach to discipline which we have discussed in an earlier section calls for self-discipline. This approach assumes that most of your subordinates, if not all, generally behave reasonably following the given norms and procedures. To institute this kind of discipline, you must ensure that you use your authority and powers in a manner that is easily acceptable to your subordinates. To establish this kind of positive discipline among your subordinates you must ensure that:

- 1 Rules and regulations are reasonable, legitimate and clear;
- 2 Subordinates are involved in framing rules and regulations so that they willingly accept them;
- 3 Prior and clear notice is given of the consequences of breaking rules;
- 4 There is consistency and uniformity of punishment;
- 5 Human personality is treated with dignity; and
- 6 You as a manager should set high standards.

In addition, you can check indiscipline through counselling and educating your subordinates. Strategies like job enrichment to increase commitment among your subordinates, effective and efficient grievance handling procedures, opportunities for development of subordinate's potential are strategies that you may adopt to prevent indiscipline in your organisation.

In order to maintain the motivation and morale of your subordinates, it is necessary that you adopt a formal system for dealing with indiscipline. The formal system often calls for a judicial approach.

16.6 JUDICIAL APPROACH TO DISCIPLINE

You will have to handle a variety of disciplinary issues in the present day industrial context. Your right to hire and fire is curbed to a great extent, especially in a unionised context. In order to ensure security of jobs, the Government has tried to assure protection to the industrial worker from arbitrary managerial power to hire and fire. This became necessary in the context of grave unemployment and the weak position of the worker.

The Industrial Employment (Standing Orders) Act was passed in 1946 with the primary objective of improving the industrial relations climate. This was sought to be achieved by standardising conditions of employment including the procedures for disciplinary action. This Act is applicable to industries all over India employing 100 or more workmen on any day of the preceding 12 months. Both the Central and the State Governments may apply this Act to any establishment employing even less than 100 workmen and may exempt conditionally or unconditionally any establishment from any or all provisions of the Act. Although the Act is a Central legislation, it is administered by both the Central and the State Governments in their respective spheres.

The Act requires that all establishments must define the service rules and prepare standing orders. These service rules and standing orders must also be clarified by the certifying officer appointed under the Act within the specified time limit and in the specified manner. In case your organisation does not have its own standing orders, you have to follow the model standing orders. It is also your duty to certify the standing orders and make it known to the workmen. Thus it becomes obligatory on the part of the workmen to comply with the provisions of the standing orders.

The areas to which the provisions of the model standing orders relate include:

- i) Classification of workmen into permanent, probationers, 'badlis', temporary, casual and apprentices and the meaning of each.
- ii) Rules for publication of working time, holidays and pay days, wage rates, shift working, etc.
- iii) Notices of change in shift working.
- iv) Provisions regarding attendance and late coming.
- v) Provisions for leave and various types of leave.
- vi) Provision for payment of wages.
- vii) Provision for stoppage of work.
- viii) Termination of employment.
- ix) Provision for a certificate on termination of service.
- x) Disciplinary action for misconduct: Model Standing Orders specify certain acts as misconduct like wilful insubordination or disobedience to any lawful and reasonable order of the superior, theft, fraud, or dishonesty in connection with the employer's business or property, etc. Various forms of punishment like discharge, dismissal, etc. are also specified.
- xi) Liability of manager.
- xii) Provision for exhibition of standing orders.

As you can see, the Model Standing Orders specify the terms and conditions which govern day-to-day employer-employee relationships. The violation or infringement of these terms and conditions may lead to misconduct and indiscipline.

It should be remembered here that the standing orders specify acts of misconduct in a very broad fashion. They are only indicative and as such it should not be assumed that what is not embodied in the standing orders is not misconduct. At the same time, some others in the standing orders or service rules can cause confusion due to

the fact that they are subject to different interpretations. An example of this kind is the concept of disobedience of a lawful order of the superior. An incident of this kind was a case in which a workman while discussing the question of sales policy put forward his view-point in a slightly raised voice. The superior asked him to shut up and 'get out'. But the workman refused to do so. In this case the superior contended that the workman had wilfully disobeyed the lawful order of the superior and deserved the punishment of dismissal. However, such orders cannot be considered either lawful and reasonable or relating to the duty of the concerned workman.

You, as a manager, have the right to take disciplinary action against your subordinate for misconduct. But, according to the principles of natural justice the subordinate should be given an opportunity to present his case. Therefore, a domestic enquiry should be held before punishment is awarded.

Domestic Enquiry

There is no statutory regulation of disciplinary actions or procedures. However, case law has been developed by the various courts such as the Supreme Court, the High Courts, Labour Courts and Industrial Tribunals in India. Their various awards have indicated a detailed procedure for taking disciplinary action and made it compulsory on the part of the management to hold a domestic enquiry before the worker is punished for misconduct. The objective as mentioned earlier is to ensure the principle of natural justice.

Mr. Justice Wanchu of the Supreme Court held (in the Kesoram Cotton Mills Case of 1961): "The purpose of the rules of natural justice is to safeguard the position of the person against whom an enquiry is being conducted so that he is able to meet the charge laid against him properly". This, in other words, means that no man shall be condemned unheard and be the judge in his own cause. This is the essence of the principle of natural justice. This principle ensures that: (i) the workman charged should be given an opportunity to present witnesses of his own choice on whom he relies; (ii) he has a right to cross-examine the management's evidence; (iii) the evidence of the management should be taken in his presence; (iv) no material should be used against him without giving him an opportunity to explain; (v) the enquiry against the employee should be fair and conducted by an impartial person; and (vi) the punishment awarded should not be out of proportion to the misconduct committed.

For holding the enquiry, sufficient notice is given to the workman so that he may prepare his defence and make ready all documentary evidence that he may like to tender. Normally, the standing orders of a company provide for the details of holding a domestic enquiry. But in case such details are not available, domestic enquiry is conducted by a senior officer of the company. Even a lawyer or an outsider may hold the enquiry if the management so decides. However, it is necessary to ensure that the person who conducts the domestic enquiry should be unbiased. A person who has some bias in the matter is not a fit person to conduct the enquiry.

Domestic enquiry has to be held in the presence of the accused. The law does not permit a non-employee at the enquiry nor does it permit outside interference. Examination and cross-examination should be free and proper and all documents are open to be seen by the parties. In case the accused does not turn up before the enquiry officer without any notice or reasonable cause or refuses to participate in the enquiry, then it could be conducted *ex parte*. The findings of the enquiry officer then go to the management for proper action. The decision should be taken keeping in view the gravity of misconduct. The order of the punishment has to be conveyed to the worker as expeditiously as possible. If the punishment is not convincing and acceptable to the workman, he appeals to the labour court/industrial tribunal. The basic issue that a labour court/tribunal will seek to establish when a case is being adjudicated by it is whether a proper domestic enquiry had been conducted or not. In case a domestic enquiry was conducted whether the principle of natural justice was observed or not. The other two criteria to be fulfilled are: (a) whether the enquiry proceedings were unbiased and (b) whether the other party was heard in good faith. In fact, the Supreme Court has set out the duties of a Labour Court, in

terms of its role in respect of the domestic enquiry. The first thing is to determine the validity of a domestic enquiry. If no enquiry or a defective enquiry was held, then the labour court itself conducts the enquiry on its own. Both the management and the workman will be allowed to produce witnesses and adduce evidence. This amounts to a fresh enquiry in the Labour Court. (The process of conducting Domestic Enquiry is given in the Appendix).

Punishment

The standing orders may specify various forms of punishment for misconduct. When a punishment is awarded, care should be taken to make sure that it is appropriate to the gravity of the misconduct and also the past record of the employee. The various forms of punishment are:

- a) dismissal
- b) discharge
- c) discharge simpliciter
- d) suspension
- e) demotion to a lower grade
- f) withholding of increments
- g) fine
- h) warning or censure.

Of these, dismissal, discharge and suspension may be categorised as major punishments while awarding of a fine, warning or censure are regarded as minor punishments. In establishments where the Industrial Employment (Standing Orders) Act is applicable, the punishments are specified in Model Standing Orders or certified standing orders. In this case, the management cannot award punishments other than those mentioned in the standing orders.

In short, the management has a variety of controls available in the form of minor or major punishment to ensure employee discipline. The objective of minor punishment should be to convey your concern to the employee and his colleagues for maintaining discipline. A fine or a warning is a minor punishment. The fine hits the pay packet and the warning note goes into the employee's personal record. Similarly, stoppage of an increment is a monetary control in addition to the censure and shame it carries with it. To be demoted to a lower grade is extremely humiliating for an errant employee, in addition to the loss of money.

The major punishments like suspension, dismissal and discharge are awarded only when it becomes incompatible to continue employer-employee relations. It is also awarded in cases of wilful insubordination, riotous behaviour, theft, etc. This is dealt in greater detail in the unit on "Suspension, Dismissal and Retrenchment".

Discharge simpliciter means the termination of an employee's services for loss of confidence and does not necessarily imply any act of misconduct. The concept of simple termination or loss of confidence is to be seen in the job context. As termination due to loss of confidence is a sensitive area, the courts are generally cautious in such cases and make sure that there is no possibility of victimisation. In the case of a simple discharge, termination benefits are given to an employee, while a dismissed employee loses all of them.

Intervention by a Tribunal

The tribunal can intervene only under the following circumstances:

- When there is a want of good faith
- When there is victimisation or when unfair labour practices are used
- When the management has been guilty of a basic error or violation of a principle of natural justice
- When the findings are baseless and perverse

A workman can be considered to have been victimised if

- he is innocent but has somehow displeased the employer
- the punishment awarded is quite out of proportion to the gravity of the offence committed

You may be guilty of committing a basic error of facts if

- the findings of the enquiry are based on extraneous evidence
- the workman is punished for a charge other than that mentioned in the charge-sheet

The enquiry stands vitiated if the enquiry officer records perverse findings. This happens when the findings are not supported by evidence as recorded in the proceedings of enquiry or a conclusion cannot be arrived at from the records of the domestic enquiry.

The tribunal has the power within its jurisdiction to: (i) concur with the decision of management; (ii) disagree and substitute: (a) reinstatement with full back wages, or (b) reinstatement with part wages, or (c) reinstatement without wages or with suspension within or beyond the pale of standing orders or withholding of increment or any punishment other than the extreme one of termination of service; or (iii) award compensation in lieu of reinstatement on the ground that the employer has lost confidence in the charge-sheeted employee.

16.7 SUMMARY

In this unit we have examined the various aspects of discipline. We have seen that discipline is by and large a result of the culture and the pattern of authority/power that are available in an organisation. You as a manager will have to create conditions that will encourage positive discipline among your subordinates.

16.8 SELF-ASSESSMENT TEST

- 1 Explain the difference between the positive and negative concepts of discipline.
- 2 What is meant by compliance? Examine the different types of power and the different kinds of involvement.
- 3 Identify the different forms of indiscipline and examine the factors leading to indiscipline.
- 4 Examine the meaning of natural justice and explain how domestic enquiry ensures the principles of natural justice.

16.9 KEY WORDS

Standing Orders : Service rules and other terms of employment of an undertaking duly certified by the competent local Government authority under the provision of Industrial Employment (Standing Orders) Act, 1946.

Compliance : The willing acceptance of the rules and norms of the organisation by the members.

Power : The ability of a person to get other(s) to act according to the will of the former.

Indiscipline : Non-conformity by the organisational members to the formal and informal rules and regulations.

Misconduct : An act of an employee which is prejudicial or likely to be prejudicial to the interests of the employer.

Domestic Enquiry : An opportunity provided to an accused person to defend himself by presenting his own witnesses and other evidence.

16.10 FURTHER READINGS

Agarwal, S.L., 1980. *Labour Relations Law in India*, Macmillan Company of India : New Delhi.

Chakravarti, K.P., 1983. *Law of Industrial Employment and Management of Discipline*, Law Agency : Allahabad.

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APPENDIX

THE PROCESS OF HOLDING DOMESTIC ENQUIRIES IN INDUSTRY

The first and primary step is to carry out a preliminary investigation before the employer holds a disciplinary enquiry in order to find out whether a prima facie case of misconduct is evident. Thus the enquiry should be the result of a preliminary investigation and should not be adopted merely as a matter of course.

After the preliminary investigation is carried out and a prima facie case of misconduct is established, the following stages of disciplinary enquiry should be followed:

- 1 issue and service of a charge-sheet calling upon the employee to submit an explanation,
- 2 consideration of the explanation,
- 3 giving notice of an enquiry into the charges in case of unsatisfactory explanation,
- 4 suspension with or without pay, pending enquiry (if needed),
- 5 enquiry into the charge
 - deciding as to who should conduct
 - deciding as how to proceed
 - deciding about the order of examining witnesses.
- 6 recording of findings by the enquiry officer,
- 7 punishment-decision,
- 8 communication of punishment.

Let us examine each step in detail.

Issue of a Charge-sheet

As soon as misconduct is observed and confirmed through preliminary investigation a manager should frame a charge-sheet which contains charges or a description of misconduct, and an explanation should be asked for. A manager has to be very careful in framing the charge-sheet because if the punishment awarded is not in consonance with the charges it would be invalidated. The following points should be considered while framing the charge-sheet.

- 1 The charge-sheet should be properly worded and loose language should not be used so as to create apprehension and confusion in the mind of the concerned workman.
- 2 While stating the offence, the date, time and place of its commission and all other relevant details should be given.
- 3 If in a firm, standing orders are in force, then the wording of the charges should be in consonance with the wording in the standing orders.
- 4 The proposed punishment may be mentioned.
- 5 It should call upon the worker to submit an explanation in writing within a specified time or date.
- 6 The charge-sheet should be issued under the signature of the disciplinary authority and not of the enquiry officer.
- 7 The charge-sheet should be properly served and there should be strict proof of issue and delivery so that later the worker may not deny it. The following alternatives exist: (i) when the workman is present, handover and obtain signature on duplicate copy; (ii) if he refuses to sign, then duplicate may be signed by the manager and two witnesses; (iii) deliver it to him by registered post; (iv) if the registered charge-sheet is returned unserved, then it should be displayed on the notice board, with a noting on it, as to when displayed, when removed, etc.; and (v) in appropriate cases, the charge-sheet should be published in a local newspaper having sufficient circulation or coverage.

Consideration of the Explanation

The workman receiving the charge-sheet may:

- 1 submit his explanation admitting the charge and ask for leniency. Even if such an admission is unqualified and unambiguous, the enquiry should be held before awarding the punishment. In such an enquiry, the enquiry officer need not record evidence but should record findings on the basis of the admission of charges in the worker's presence and his signature may be obtained.
- 2 submit his explanation refusing the charge-sheet. Then it is to be carefully examined, to find out whether the explanation is satisfactory or not. A further decision about proceeding in the matter and a detailed enquiry is to be taken on that basis.
- 3 apply for an extension of time for submitting an explanation. If such an extension is reasonable then it should be given, so as to avoid future controversy.
- 4 fail to submit his explanation, as a result, the employer may follow further proceedings of enquiry.

Notice of Enquiry

The enquiry should be normally held within a reasonable time of receiving the explanation. Proper and sufficient advance notice should be given indicating the date, time and venue of the enquiry and name of the enquiry officer, so that the workman can prepare his case. It should also be notified that he should be ready with oral and documentary evidence on the date of enquiry and bring witnesses to prove his case.

In certain cases, the following steps may be observed instead of those previously mentioned:

- Issue of show-cause notice;
- Consideration of explanation; and
- Issue of charge-sheet and notice of enquiry

While framing the notice, care should be taken not to make a statement which would indicate that the workman's case has been prejudged, e.g. statement that the explanation submitted was false, etc. should not be made.

Suspension with or without Pay Pending Enquiry if Needed

Where the nature of misconduct is grave and serious, and if it is in the interest of security and safety and maintenance of good order and discipline in the establishment, the worker may be suspended with or without pay till disciplinary proceedings are completed. A manager may suspend a worker even before the charge-sheet is issued or an order of suspension may be given along with the charge-sheet. In a case where standing orders limit the period of suspension, the enquiry must either be completed within the period or wages should be paid for the time exceeded.

Conduct of the Enquiry

Who should hold the enquiry?

Enquiry Officer

Standing orders may provide as to who should hold the enquiry. Otherwise, an assistant manager, or administrative officer, or labour welfare officer may be nominated. Thus, he may be either a member of the management, or an outsider, or an employer's lawyer or the manager of another business, but not a person who is a witness or who is himself involved in the incident. He has to collect information and arrive at a conclusion. He should not act as a prosecutor or an inquisitor. There should be no personal bias, otherwise the principle of natural justice is violated. The enquiry officer has authority to give an adjournment to the charge-sheeted workman.

Request for Adjournment : If the workman concerned requests for further time on reasonable grounds then another enquiry date should be fixed and conveyed.

Nominee of the Accused Workman : If the charge-sheeted employee would like another employee to represent and assist him in the conduct of his defence, the enquiry officer should allow this. However, it is left to the discretion of the management to allow a non-employee union official to act as a nominee of the workman at the enquiry.

Interpreter : He may be needed when the workman is not familiar with the language of the enquiry officer.

The enquiry officer should record preliminary statements pertaining to the date of holding the enquiry, persons present, statement of charges, statement that the enquiry procedure was explained to the workman.

In the presence of the accused workman, witness should be examined one by one so that prospective witnesses do not know what the previous witness has said. Each witness should be first examined by the party which has called him (examination in chief) and then by the opposite party (cross-examination).

The evidence may preferably be recorded by the enquiry officer in a narrative form.

Order of Examination of Witnesses : In the presence of the workman, first the management witnesses should be examined. Then fair opportunity should be given to the workman to cross-examine the management witnesses. Documentary evidence should also be produced through witnesses and be made a part of the enquiry proceedings.

At the end of the recording of evidence given by a witness, he should be asked to sign and then the enquiry officer should also sign the evidence.

After the worker's witnesses including the worker should be examined. They can be cross-examined, and the records should be signed.

Ex parte Enquiry : When the workman does not turn up for the enquiry without notice or reasonable cause or refuses to participate or walks out then the enquiry officer may proceed to hold the enquiry ex parte.

Findings of the Enquiry Officer

At the conclusion of the enquiry proceedings, by applying his mind to all the facts that emerged at the enquiry, the enquiry officer should decide as to whether the charges made are valid or not along with reasons for his findings. He may or may not recommend punishment. As far as possible he should refrain from awarding punishment and leave it to the decision of the appropriate authority.

Awarding of Punishment

This is a management task and punishment awarded should be based on the findings of the enquiry and the past record of the employee. The gravity of misconduct should be taken into account.

Communication of Punishment

After a decision is taken regarding punishment, it should be communicated to the concerned workman as expeditiously as possible. The letter communicating the punishment should contain :

- Reference to the letter of charge issued to the employee
- Reference to the enquiry
- Reference to the findings of the enquiry
- Decision whether to punish or not
- Date from which the punishment is to be effective

When it is necessary to have the approval or prior permission of the conciliation officer, court or tribunal for effecting the order of punishment as provided under Section 33 of the Industrial Disputes Act, a slightly different procedure is to be followed. In such a case, the letter communicating punishment should mention permission obtained or being obtained. This is so in case of prior permission. If the punishment is dismissal or discharge and permission is yet to be obtained, then the letter should mention this and the concerned workman should be placed under suspension. In cases where prior approval is necessary the order of punishment is effective at once because only an application to the concerned authority for 'approval' is to be sent by the management along with the payment of one month's wages to the concerned workman.

BRAOU

UNIT 17 SUSPENSION, DISMISSAL AND RETRENCHMENT

Objectives

After going through this unit, you should be able to :

- appreciate the underlying concepts behind suspension, dismissal and retrenchment
- handle the processes involved in suspension, dismissal and retrenchment
- evolve policies for these actions in the context of your organisation

Structure

- 17.1 Introduction
- 17.2 Definitions
- 17.3 Suspension
- 17.4 Dismissal
- 17.5 Retrenchment
- 17.6 Summary
- 17.7 Self-assessment Test
- 17.8 Key Words
- 17.9 Further Readings

17.1 INTRODUCTION

This unit has been prepared to acquaint you with the nature of three job changes, that is, suspension, dismissal and retrenchment which an employee is likely to experience in course of employment.

These changes, irrespective of their nature, have been and are still the important sources of industrial disputes and disturbed industrial relations. Since these changes have the effect of reducing income or loss of job and livelihood, and one of these changes (dismissal) carries such a stigma which may even disqualify the person concerned for further employment, they are not only likely to be resented but also challenged in Labour and other Courts. Sometimes, changes have to be effected by the management to maintain discipline or to rationalise the working of the organisation. These should be managed and carried out in such a manner that the hardship involved may be minimised, and they should not have any demotivating effect on other employees/workmen. This could be possible only when such changes are not only essential and fair, but they are made to look to be so.

Again, since the enactment of industrial law the right of management to hire and fire has been abridged considerably, the worker has acquired the right under the Industrial Disputes Act, to question and challenge his suspension, dismissal and retrenchment. The Labour Courts, High Courts and Supreme Court are vested with the powers to annul or modify such actions of the employer and the latter has now to exercise these rights in a bona fide manner, or for a just cause. In fact a big case law has already been built up on these changes. It is, therefore, essential for you, as a manager or supervisor, to know how such actions should be taken if they have to be taken, with the minimal effect on the working of the organisation and employee and management relations. As the structure of this unit shows we intend to examine the three employment problems in all their aspects, legal as well as human.

17.2 DEFINITIONS

Suspension : This means prohibiting an employee from performing his duties assigned to him, and withholding wages for so long as that prohibition continues. During the period of such prohibition the contract of employment between an employer and the employee is said to be under suspension, and the employee is said to have been suspended. In other words, suspension does not mean termination of service but only denial of work for some time.

Dismissal : This means termination of service or contract as a punishment for a serious misconduct or act of indiscipline. This is the supreme punishment which an employer can give for disciplining workmen as a last resort. It carries a stigma which may prevent the dismissed person from getting another job. It is a permanent separation from job.

Retrenchment : It is a termination of service for reasons of redundancy or surplus to requirement. The Industrial Disputes Act defines retrenchment as the termination by the employer of the service of a workman for any reason whatsoever, other than as a punishment, but does not include voluntary retirement, retirement and termination on the grounds of ill health. By a recent amendment, non-renewal of contract is not to be regarded as retrenchment. In other words, retrenchment is termination of service, but all terminations of service are not retrenchment. According to the ruling of the Supreme Court "retrenchment" as defined in the Act is not to be given any wider meaning than the ordinarily accepted connotation of the word and termination of service of a workman for any reason other than that he was surplus would not constitute retrenchment.

17.3 SUSPENSION

Procedural Suspension

Procedural suspension is not considered as a punishment. Such suspension is made when disciplinary action is initiated or about to be initiated against a person for any misconduct which may warrant any major penalty like discharge or dismissal. The delinquent worker is suspended if his presence at work is not considered desirable for fear of his tampering with the records of any other evidence or the enquiry by itself. The worker is also suspended in the interest of discipline and good order in the establishment and in all cases where the act of misconduct complained of is grave and serious. It is usual to issue the suspension order alongwith the letter of charge, but if the management thinks it necessary, the workman may be suspended even before issuing the charge-sheet pending further disciplinary proceedings.

Procedural suspension is not considered as punishment. During the period of suspension the worker is paid a subsistence allowance equal to one-half of the gross wages for the first ninety days and three-fourths of the wages beyond ninety days. Till recently this subsistence allowance was being paid only in the Government and public sector establishments, but in other establishments it was paid only if it was provided in their standing orders, or Model Standing Orders prescribed under the Industrial Employment (Standing Orders) Central Rules applicable to them. With the recent amendment of the rules passed under the Industrial Employment (Standing Orders) Act, 1946, the offender can be placed under suspension pending enquiry, and it has been made obligatory for all employers to pay to the workman during his suspension, a subsistence allowance equal to one-half of the basic wage, dearness allowance and other compensatory allowances to which he would have been entitled if he had not been suspended. Such subsistence allowance is paid for ninety days. If the enquiry is prolonged beyond ninety days, the allowance is to be increased to three-fourths of his normal emoluments. If, however, the responsibility of prolongation is that of the workman, the allowance would be reduced to one-fourth of his normal emoluments.

Suspension as Punishment

Like fine and warning, suspension is generally considered as a minor punishment which may be inflicted for such misconduct as unpunctuality or irregular attendance provided they are not habitual or often repeated. As a rule, punishment should be commensurate with the gravity of the offence. In establishments covered by the Industrial Employment (Standing Orders) Act, 1946, the acts and omissions which constitute major and minor misconducts and for which various punishments may be awarded, are usually specified in the standing orders. In such cases, the punishment awarded should only be that which is permissible under the standing orders. It is within the discretion of the management to award a lesser punishment than that indicated in the standing orders, but they cannot award a major punishment like suspension for a minor misconduct as it will not be legal under the standing orders.

The power to suspend an employee and withhold payment of wages during the period of suspension by way of punishment, like the power to make penal deductions from the remuneration of employees, is not an implied term in ordinary contract between master and servant. As such unless power is reserved to the employer specifically in the contract of employment itself, an employee cannot be punitively suspended. Hence in establishments where standing orders have been framed governing the contract of employment between the management and the workman, provision is usually made for reserving powers in the management to punitively suspend the workman, as also prescribing maximum number of days of suspension which are generally four, for which such punishment may be inflicted. If the punitive suspension exceeds the number of days mentioned in the standing orders, it may be regarded as a major punishment, and may be dealt with as such.

17.4 DISMISSAL

How it Differs from Discharge

Dismissal and discharge have the same result, that is, termination of the service of the employee. It is on this account that these terms are often used indiscriminately by employers and employees and even sometimes by the Labour Courts as though they were inter-changeable. But there is a distinct difference between the two expressions, and it is desirable that this is clearly understood. The points that need to be noted in this connection are as follows:

- a) While dismissal is a punishment for some misconduct, discharge is not always a punishment.
- b) The acts and omissions for which the punishment of discharge may be inflicted are generally the same for which the extreme punishment of dismissal would be warranted. However, on consideration of equity, expediency or extenuating circumstances, it may be deemed desirable by the employer to discharge an employee instead of dismissing him.
- c) Discharge is considered a less severe punishment than that of dismissal, although both result in the termination of service. The stigma that is attached to the expression 'dismissal' may make it practically impossible for the person concerned to obtain another employment, which is not the case with discharge.
- d) The agreed or reasonable notice may have to be given in case of discharge, but not so in case of dismissal which is usually summary, i.e., without notice.
- e) In case of dismissal, the employer can withhold his contribution to the provident fund, bonus and gratuity payable to the employee and also his other dues to make up the loss caused to the concern by his misconduct, but in the case of discharge the employee concerned would usually be entitled to these benefits and his dues.
- f) For dismissing an employee the employer has to hold disciplinary proceedings. He may or may not do so for discharging an employee. The employer can discharge an employee by giving an agreed or reasonable notice, as provided in the standing orders or contract of service, without serving him with a charge sheet, receiving explanation and holding an enquiry, as is usually done for dismissing an employee. However, the employer may be required to prove the bona fides of both the actions.

Misconduct or Grounds for Dismissal

As already mentioned, the punishment of dismissal is inflicted for various offences or misconducts which are inconsistent or incompatible with the faithful discharge of one's duties, or his incapacity preventing him from fulfilling his contract of service with the employer, or such immorality on his part as may bring the employer into disrepute. All these three grounds justify the dismissal under common law. Wilful insubordination, riotous and disorderly behaviour, dishonesty, habitual absence without leave, habitual negligence or wilful neglect of work, etc. would be justifiable grounds for dismissal under common law.

For persons covered by industrial law, such as Industrial Disputes Act, 1947 and Industrial Employment (Standing Orders) Act, 1946, the following items of

misconduct for which a workman may be dismissed are prescribed under the rules framed under the latter Act :

- a) Wilful insubordination or disobedience, whether alone or in combination with others, to any lawful and reasonable order of a superior.
- b) Theft, fraud or dishonesty in connection with employers' business or property.
- c) Wilful damage to or loss of employers' goods or property.
- d) Habitual late attendance.
- e) Taking or giving bribes or any illegal gratification.
- f) Habitual absence without leave or absence without leave for more than ten days.
- g) Habitual breach of law applicable to the establishment.
- h) Habitual negligence or neglect of work.
- i) Riotous and disorderly behaviour during working hours at the establishments or any act subversive to discipline.
- j) Frequent repetition of any act or omission for which a fine may be imposed to a maximum of three per cent of the wages in a month.
- k) Striking work in contravention of the provisions of any law or rule having the force of law.

The above list of misconducts warranting dismissal is only illustrative, and to this may be added several other acts and omissions, such as wilful slow down, or inciting others to slow down, assault on manager or supervisors, and other offences under the Indian Penal Code involving moral turpitude, taking into consideration the nature of the industry or the establishment.

Right to Hire and Fire and its Abridgement

Employers have been claiming right to hire and fire from time immemorial. The unfettered exercise of this right by the employers was recognised in common law. Under common law a person wrongly discharged or dismissed cannot be reinstated, and can get at the most some prescribed monetary compensation by way of relief. The industrial law which has replaced the common law for regulating relations between employer and employee also upholds the right of the employer to manage and discipline his employees. But this right has been abridged considerably with the enactment of the Industrial Disputes Act, 1947, Industrial Employment (Standing Orders) Act, 1946, and the Payment of Wages Act, 1936 and with the emergence of the principles of social and natural justice, and their extensive use made by Labour Court, Industrial Tribunals, High Courts and Supreme Court, in deciding disciplinary cases and other industrial disputes. Under the common law the authorities decide cases only in terms of contractual rights and obligations, but under the industrial law the authorities have to take into consideration the principles of social justice, and so they can even order the reinstatement of the workman discharged or dismissed wrongly. The employers do retain their right to take disciplinary action, but in a bona fide manner. Under the Industrial Disputes Act, the employees have acquired the right to question the action taken against them, and appeal to Labour and other higher Courts against it. The latter can intervene if the dismissal or discharge is mala fide, and smacks of victimisation or unfair labour practice, and violates the principles of natural and social justice.

In view of these changed conditions under which employers' action can be challenged and set aside, the employers are now compelled to observe such principles and procedures in taking disciplinary action, including discharge or dismissal of their workers, as to minimise the chances of their action being annulled or set aside. The amendments of the Industrial Disputes Act with the additions of Section 2A and Section 11A have made them more cautious in taking disciplinary action. Section 11A empowers Labour Courts and Tribunals to substitute their own judgment for that of the management, and set aside orders of discharge and dismissal, and direct reinstatement of workers, or grant any other relief even if there is no technical or other flaw in the domestic enquiry, but on grounds that the principles of social or natural justice are violated, or the punishment given is disproportionate to the offence committed. The employers, therefore, are to follow such a procedure which may conform to the principles of natural and social justice.

Procedure for Dismissal

No desirable procedure which may comply with principles of natural justice has been laid down in any law for dismissal or discharge of an employee, nor has it been the subject of any collective bargaining, or tripartite understanding. However, a model procedure

which should be followed has been evolved from various awards and judgments of Labour Courts, Industrial Tribunals, High Courts and the Supreme Court. This procedure stipulates the following steps:

- i) Preliminary enquiry on receiving report of misconduct.
- ii) Issuing of charge-sheet if there is a prima facie case for misconduct and if there is some evidence for establishing the same and for obtaining explanation of the delinquent employee.
- iii) Holding fair and unbiased domestic enquiry, (if explanation of the employee is found unsatisfactory), in conformity with the principles of natural justice, giving full and real opportunity to delinquent employee to prove his innocence. The Punishing authority is to consider the report and decide the punishment to be awarded if the employee is found guilty. In deciding the punishment it has to be seen that it is in proportion to the offence committed. He has also to see that the enquiry has been conducted properly (see Appendix to the unit on 'Discipline' in this booklet) before communicating the decision to the employee concerned. If at that time, the employee is a party to any dispute pending before the Conciliation Officer or Board of Conciliation or Labour Court or Tribunal, the punishing authority should take the approval of the concerned authority before whom the dispute is pending, before conveying his decision to the employee. Even if the decision is conveyed to the employee, before taking necessary permission, he may be informed that necessary permission is being obtained, and his dismissal will take effect from the date the permission is given. In the meanwhile, he will be considered as suspended.

Other Restrictions on Dismissal

Under Section 33 of the Industrial Disputes Act, 1947, if an employee is to be dismissed or discharged, and he is a party to a dispute which is pending before any conciliation or arbitration or adjudication authority, prior permission or approval of that authority has to be taken for passing any order of dismissal or discharge. If the employee concerned is not party to the dispute, he can be dismissed with one month notice or one month wages in lieu of the notice, and during that month, the employer has to apply for permission for dismissal to the authority concerned. In case of "protected workmen", prior permission for dismissal and discharge is essential even when they are not connected with the dispute. These protected workmen are trade union office-bearers who are declared as such, to save them from being victimised for raising or conducting the dispute. They are nominated by the unions, and their number is not to exceed one per cent of the total workforce, subject to the minimum number of five.

How Dismissal is Managed in other Countries

This is one area where foreign experience is not much relevant to India as most of the other industrialised countries are operating in a labour shortage situation. There the employers are still allowed to exercise their right to hire and fire as a disciplinary measure to some extent. However, collective bargaining is restricting this right.

In 1963, the I.L.O. adopted a recommendation (No. 119) concerning termination of employment at the initiative of employers themselves. This lays down certain standards of general application concerning individual dismissals, such as grounds for dismissal, remedies for unjustified dismissals, period of notice, reduction of workforce, etc. It lays down that "termination of employment should not take place unless there are valid reasons for such termination connected with the capacity or conduct of the worker or based on the operational requirement of the undertaking", and goes on to specify what should not constitute valid reason for termination of employment. The recommendation also provides that an aggrieved worker should be entitled to appeal against termination to a neutral body such as an arbitrator, a court or an arbitration committee which should be empowered to examine the reasons for termination of employment, and the other circumstances relating to the case and to render a decision on the justification of the termination. The appellate authority should be empowered to order that the worker should, unless reinstated, be paid adequate compensation in case of wrongful dismissal.

United States : Here it is considered to be the management's prerogative to discipline and discharge a worker for a "just cause". However, the procedure for discharge requires the management to give prior notice of discharge detailing reasons for such action. A hearing of the case is to be attended by the employee as well as a union

representative. No dismissal pay is given to workers discharged for a just cause. The National Labour Relations Board (N.L.R.B.) is empowered to order reinstatement with or without back wages of a worker discharged for a cause which is not just. But the cases going upto the N.L.R.B. are rare.

United Kingdom : In this country, the employer has the right to dismiss or discharge an employee. The Contract of Employment Act, 1963 lays down a minimum period of notice for discharge. The Common Law right of the employer is not curtailed. Internal procedure has, however, been developed by firms for consideration of dismissed cases at a higher level. The Donovan Commission (1968) recommended statutory procedure and machinery for dealing with dismissal cases. The main departure in the Donovan Recommendation is that the Labour Tribunal should award reinstatement if both parties agree. Compensation payable may be up to an amount equal to two years wages or salary.

France : Here dismissal can be effected with the prior approval of the State Manpower Service, but dismissal without the approval of the service is not invalid; it can make employer liable to a penalty. The employees get full protection under the terms of collective agreements and the legal concept of "abuse of right". The latter when proved can be penalised by payment of compensation but the courts do not order reinstatement. French legislation provides for suspension and not dismissal, in certain circumstances. Dismissal disputes are decided by Councils made up of equal number of elected representatives of employers and employees. They play a conciliatory role, failing which they give their judgment, but the reward being compensation and not reinstatement. In Sweden a variation of this arrangement operates.

Italy : Here arrangements are the same as above except that the Court can order reinstatement. If the employer refuses to implement the order, there is a special penalty on the employer in addition to compensation.

Australia : Here, the right to 'hire and fire', if properly exercised, is regarded as an employer's prerogative. The arbitration awards lay down the notice period for discharge of an employee after giving him due notice. Employer's motive generally cannot be questioned unless the discharge is prompted by anti-union reasons, in which case it would be a legal offence.

West Germany : Here the Works Constitution Act, 1952, obligates employers to consult the Works Councils in staff matters, including dismissals. The Act provides that a dismissal is permissible only for urgent and important reasons, such as embezzlement or inability to continue to work. An employee can appeal to a Labour Court against an unjustified and illegal dismissal. In wrongful dismissal, the Court can order reinstatement or compensation up to a maximum of 12 months' remuneration at the request of either party.

U.S.S.R. : The Labour Code of this country provides for the termination of contract of employment of a worker after giving a day's notice in certain circumstances including unfitness of an employee to work, persistent failure to fulfil his duties, etc. In case of persistent neglect of duties, an employer in a State undertaking, co-operative or other public undertakings has to act in accordance with the decisions of an Assessment and Disputes Committee.

17.5 RETRENCHMENT

How does it differ from lay-off?

As already defined retrenchment is termination of service for redundancy, or when workers become surplus to requirements either because of rationalisation, or due to loss of market for the product, or for use of some labour saving devices. Termination of services, on account of disciplinary action, or prolonged illness, or retirement and super-annuation, expiry of contract, termination of contract as per the terms of the contract, unsatisfactory working during the probationary period as provided in the standing orders or service contract and non-renewal of contract, is not retrenchment. Lay-off is not termination of service. It is only temporary denial of employment due to circumstances beyond the control of employer, such as power shortage, mechanical breakdown, non-availability of raw material, accumulation of stocks, shortage of coal, and natural calamity or

any other connected reason. In case of mines, workers can be laid-off on account of excess of inflammable gas, fire, flood and explosion. Secondly, compensation is payable both in lay-off and retrenchment, but in lay-off it is payable in case of factories, mines and plantations if the establishment employs 50 or more workers, and the work is neither seasonal nor intermittent. Again, lay-off compensation is payable only to such workers who are on the muster-roll of the company, and are neither casual, nor badli workers and if they are not offered alternative employment within five miles of the establishment where they are working on the same remuneration and other terms of employment. All these restrictions are applicable for payment of compensation for retrenchment which is payable in all establishments, irrespective of their employment strength and also to all classes of workers except apprentices, if they have completed one year of continuous service, or have worked for 240 days on the surface or 190 days underground in 12 calendar months. The condition of one year continuous service is also applicable to lay-off compensation. Lastly, in case of lay-off compensation payable is half of the wages which would have been payable to a workman, had he not been laid-off, and this he can claim as a statutory right. In case of retrenchment, compensation payable is half month's salary for every completed year of service, besides one month notice in case of undertakings employing less than 100 persons and three months notice in case of undertakings with 100 or more employees or wages in lieu of notice. But retrenchment compensation is not the statutory right of the retrenched worker. It is only a pre-condition of retrenchment, because if it is not paid the workman will not be considered as retrenched. The following table may clarify further the differences between retrenchment and lay-off.

Table—Differences between Retrenchment and Lay-off

Lay-off	Retrenchment
i) Lay-off is the inability of the employer to provide employment to workmen due to circumstances beyond his control, such as shortage of coal, power, breakdown of machinery, natural calamity, etc. It is not a termination of service.	i) Retrenchment is termination of service. It is a termination for reasons other than disciplinary action, retirement or superannuation, expiry and termination of contract and prolonged illness.
ii) Compensation payable is half of the wages which would have been received by the laid-off worker, if he had not been laid-off. This is payable only by establishments employing 50 or more persons, and if their work is not seasonal or intermittent. It is not payable to workers who are not on the pay-roll of the company, or if they are not casual or badli or substitute workers.	ii) Retrenchment compensation payable is 15 days wages for every completed year of service besides one month or three months notice or pay in lieu of notice. This is payable by all establishments covered by the Act irrespective of the number of persons employed, and to all workmen, with qualifying service, except apprentices.
iii) Lay-off compensation can be claimed as a statutory right by the workman if he has completed one year of continuous service, or has worked for 240 days on the surface or 190 days underground in 12 calendar months.	iii) Retrenchment compensation and notice for retrenchment are only pre-conditions for retrenchment and not a right which a retrenched worker can claim. If notice and compensation are not given, the worker will not be considered to have been retrenched. The qualifying conditions of one year continuous service will, of course, have to be fulfilled in order to receive compensation.

Process and Law on Retrenchment

Process of retrenchment is regulated by Chapters V-A and V-B of the Industrial Disputes Act, 1947. These Chapters were not in the principal Act to start with. Chapter V-A and Chapter V-B were introduced in 1953 and 1976 to check and

minimise retrenchment and lay-off which were causing a spate of industrial disputes resulting in strikes and lock-outs. Chapter V-A regulates retrenchment in establishments employing 100 or less workmen. According to Sec. 25 of this Chapter no workman employed in any industry who has been in continuous service for not less than one year or who had worked for 240 days on the surface or 190 days underground in 12 calendar months under an employer shall be retrenched by that employer unless (a) the workman has been given one month notice in writing indicating the reason for retrenchment and the period of notice has expired, or the workman has been paid one month's wages in lieu of notice; (b) the workman has been paid, at the time of retrenchment, compensation equal to 15 days average pay for every completed year of service or any part thereof in excess of six months; (c) notice in the prescribed manner is served on the appropriate Government. No such notice may be required if the retrenchment is under an agreement which specifies date for the termination of service. The 240 and 190 days working period which qualifies a workman for receiving compensation includes days for which he was on leave with wages, or laid-off under an agreement or is permitted by Standing Orders, or absent due to temporary disablement caused by accident arising out of or in course of employment, and in case of a female employee the days on which she has been on maternity leave.

Transfer and Closure : The retrenchment compensation is also payable to workmen in case of transfer and closure of undertakings. In case of closure the employer has to give sixty days notice explaining the reason for closure to the workmen as well as to the appropriate Government. In case of closures which are beyond the control of the employers or due to unavoidable circumstances, maximum compensation payable is limited to three months average pay. Financial difficulties, accumulation of undisposed stocks, expiry of lease and licence and exhaustion of minerals in case of mines, are not considered as unavoidable circumstances. Compensation is not payable for closure by the undertakings set up for the construction of the buildings, bridges, roads, canals, dams and other construction works if they are closed within two years from the date they are set up.

Procedure for Retrenchment : In case of workmen who are Indian nationals, the principle of 'first come last goes' has to be followed for retrenchment. The authorities can retrench any other workman after recording the reasons for the same. For this purpose, seniority is to be considered in relation to the same category of workers.

Re-employment of Retrenched Persons : Where any workmen are retrenched, and the employer proposes to reemploy any persons, he shall give an opportunity to the retrenched workmen who are citizens of India to offer themselves for re-employment, and such retrenched workmen who offer themselves for re-employment, shall have preference over other persons. For this, notice of vacancy has to be put up on the notice board and the retrenched persons have to be informed by registered post about this vacancy.

Retrenchment in Establishments Employing more than 100 Persons : A different law regulates retrenchment in these establishments and this is as provided in Chapter V-B of the Industrial Disputes Act. To start with, this law was applied to establishments employing 300 or more workers, and this limit was reduced to 100 by an amendment made in 1984. For retrenchment and closure, these establishments are required to give three months notice instead of one month and 60 days notice required to be given by smaller establishments. In case of closure, bigger establishments have to pay compensation as in case of retrenchment and the maximum limit of three months wages applicable to smaller establishments is no longer applicable to them. Still more important restriction on retrenchment by the bigger establishments is that they are required to apply to the Government for permission to effect retrenchment, and the latter will not be effective unless the permission is granted. For closure and lay-off, also they have to seek permission. On receiving the application for permission, the Government gives opportunity to be heard to both the management and the workmen and their organisations. Whatever may be the decision of the Government it will remain in force for one year. The parties are permitted to apply to the Government for reviewing their own decisions. The Government has to take decision within two months of receiving the application, and if the management does not hear anything from the Government, for two months, the permission will be considered to have been granted. The main objective of all the restrictions envisaged in chapter V-B of the Industrial Disputes Act as amended upto 1984 is to prevent the employers

from retrenching employees either light-heartedly or for invalid reasons. Sufficient data is not available to confirm whether this objective has been achieved.

Retrenchment Compensation

Practices in other Countries : The statutory payment of compensation for retrenchment is not peculiar to India. In fact, payments for such a contingency are widely prevalent both in developing and developed countries. Such payments are, however, known differently, such as redundancy allowance, separation or severance allowance. The last two allowances are payable even in case of discharge and dismissal. Provisions for such payments are made either by legislation or by collective agreements. For instance, in Great Britain, the Redundance Payment Act of 1965 provides monetary compensation to persons becoming redundant or surplus to requirement. A workman qualifies for this payment if he has worked for 21 hours a week and continuously for two years before he is declared as redundant. The break in continuous service is condoned if it is due to any accident in course of employment, sickness and holidays. Persons entitled to gratuity and pension on retirement before the age of 60 or 65 years are not entitled to this payment. The older persons are paid higher amounts as they take longer time to find another employment. In Italy also the law entitles every workman to some monetary compensation for dismissal and discharge in proportion to the length of his service. In some other countries there are statutory provisions for such payments only for salaried employees. Such special legislations exist in Austria, Denmark, Greece, Luxembourg and France. In Latin America, some African and Middle East countries the practice of paying Separation and Severance allowance to discharged and dismissed employees is quite common. Even international organisations like the ILO pay Severance allowance to their employees on termination of their fixed term contract. Actual amount payable varies with the length of service and the amount of salary drawn.

Such payments are mainly justified on the ground that every person has the right to work and be compensated for involuntary unemployment due to retrenchment and lay-off, even if it is due to circumstances beyond the control of the employer or management. The right to work is provided in the constitution of several countries. It is therefore no wonder that most of the developed countries have contributory or non-contributory unemployment benefit schemes for the working class, and in such countries workmen are not paid any compensation for redundancy or discharge or dismissal. Even the Directive Principles of our Constitution require the State to make effective provisions within the limits of its economic capacity and development to secure the workers their right to work, besides ensuring them proper conditions of work and living wages.

Payment of retrenchment and lay-off compensation is also supported by the principles of social justice and equity. An over-aged worker is not in a position to provide for such contingencies as involuntary unemployment, and therefore, he needs financial help. In such difficulties, the company has to pay him something to maintain himself and his family till he is re-employed or finds another employment.

Lastly, payment of such compensation is also considered essential to maintain industrial peace. Hardship arising from unemployment must be avoided. In India, as many as 25 per cent of the disputes resulting in strikes and lock-outs, etc. are caused by retrenchment and personal factors. Provisions relating to retrenchment in the Industrial Disputes Act, 1947, are primarily social security measures providing relief for temporary involuntary unemployment.

17.6 SUMMARY

In this unit we have discussed suspension, dismissal and retrenchment, the three potential causes of industrial unrest and conflicts affecting management not only in India, but the world over. These three terms have not only been defined formally, but also distinguished from one another, and also from such terms as discharge and lay-off, which can equally disturb industrial peace. Just and fair management of all these disturbing job changes can minimise if not totally eliminate their impact on employer and employee relations. The laws regulating them such as Industrial Disputes Act, 1947 and the Industrial Employment (Standing Orders) Act, 1946, as

arranged up to date, have also been discussed. How the right of management to discipline their workers, to hire and fire them or close down their undertakings or to retrench their workers has been abridged by the above two laws has also been explained. Procedure for dismissal, principles of natural justice, and practices in a few other countries have been discussed. Justification for restricting the right of employers to retrench their employees and payment of compensation to the retrenched workman in India and some other countries, have also been discussed in detail.

17.7 SELF-ASSESSMENT TEST

Answer the following questions in not more than one page each, so that you may know how much you have understood the subjects discussed in this unit:

- 1 Distinguish between (a) procedural and punitive suspension; (b) dismissal and discharge; and (c) retrenchment and lay-off.
- 2 Discuss the relevant provisions of the existing Industrial laws which restrict the right of employers to dismiss or retrench their workers in India.
- 3 Mention briefly the practice in a few other countries regarding dismissal and retrenchment. Have the rights of employers in these two respects been abridged there as much as in India?
- 4 Discuss the practice of paying retrenchment compensation and examine the rationale for the same in India and in a few other countries.

17.8 KEY WORDS

Dismissal : Termination from employment for any of the misconducts enumerated in the Schedule to the Industrial Employment (Standing Orders) Act, 1946.

Discharge : Termination of a contract of employment. It is not a punishment but may turn out to be a punishment in certain circumstances although the order of discharge may be couched in innocuous language.

Lay-off : Lay-off means the failure, refusal or inability of an employer on account of shortage of coal, power, or raw materials or the accumulation of stocks or the breakdown of machinery or for any other reason to give employment to a workman whose name is borne on the muster-rolls of his industrial establishment and who has not been retrenched.

Closure : Closure means the closing of any place or part of a place of employment or the total or partial suspension of a work or total or partial refusal by an employer to continue to employ persons already in employment whether such closing, suspension or refusal is or is not in consequence of any industrial dispute.

Lock-out : Temporary closure of business.

Retrenchment : Retrenchment means the termination by the employer of service of a workman for any reason whatsoever, otherwise than as a punishment, but does not include voluntary retirement, retirement or termination for reasons of ill-health.

Retirement : Termination of service on reaching the age of superannuation.

Suspension : Prohibiting an employee from performing his duties assigned to him, and withholding wages for so long as such prohibition continues.

17.9 FURTHER READINGS

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Indian Labour Journal

UNIT 18 EMPLOYEE GRIEVANCE HANDLING

Objectives

The purpose of this unit is to enable you to understand :

- the nature and sources of employee grievances, and their effects
- the significance of the need for a machinery
- different approaches to grievance handling and possible outcomes.

Structure

- 18.1 Introduction
- 18.2 What is a Grievance?
- 18.3 Why Grievances?
- 18.4 Effects of Grievances
- 18.5 How to Handle Grievances
- 18.6 The Discovery of Grievances
- 18.7 The Processing of Grievances
- 18.8 Steps in Grievance Handling
- 18.9 Do's and Don'ts in Grievance Handling
- 18.10 Grievances and Industrial Relations
- 18.11 Summary
- 18.12 Self-assessment Test
- 18.13 Key Words
- 18.14 Further Readings
- Appendix

18.1 INTRODUCTION

In employment relationships both employer and employee have mutual expectations. When an employee's expectations are not fulfilled he will have a grouse against the employer because of the disagreement or dissatisfaction it causes. Similarly when employer's expectations about an employee are not fulfilled, the employer will have a grouse against such employee. It may be a problem of indiscipline.

18.2 WHAT IS A GRIEVANCE?

Broadly, a grievance can be defined as any discontent or dissatisfaction with any aspect of the organisation. It can be real or imaginary, legitimate or ridiculous, stated or unvoiced, written or oral. It must, however, find expression in some form or the other.

Discontent or dissatisfaction *per se* is not a grievance. They initially find expression in the form of a complaint. When a complaint remains unattended and the employee concerned feels a sense of lack of justice and fairplay, the dissatisfaction grows and assumes the status of a grievance.

Usually grievances relate to problems of interpretation or perceived non-fulfilment of one's expectations from the organisation. Aggrieved employees usually manifest deviant behaviour.

Individual or Collective (Group) Grievances

The International Labour Organisation (ILO) defines a grievance as a complaint of one or more workers with respect to wages and allowances, conditions of work and interpretation of service conditions covering such areas as overtime, leave, transfer, promotion, seniority, job assignment and termination of service. The National Commission on Labour observed that "complaints affecting one or more individual workers in respect of their wage payments, overtime, leave, transfer, promotion, seniority, work assignment and discharges would constitute grievances".

It is important to make a distinction between individual grievances and group grievances. If the issue involved relate to one or a few individual employees, it

needs to be handled through a grievance procedure, but when general issues with policy implications and wider interest are involved they become the subject matter for collective bargaining. Ideally in individual grievance redressal, trade unions should have less or no role while in grievances of a collective nature and wider ramifications, trade unions need to be involved.

For our purpose, in this unit, grievance has a narrow perspective; it is concerned with the interpretation of a contract or award as applied to an individual or a few employees.

18.3 WHY GRIEVANCES?

Grievances may occur for a variety of reasons :

Economic : Wage fixation, wage computation, overtime, bonus, etc. Employees feel they are getting less than what they ought to get.

Work Environment : Poor working conditions, defective equipment and machinery, tools, materials, etc.

Supervision : Disposition of the boss towards the employee. Perceived notions of favouritism, nepotism, bias, etc.

Work Group : Strained relations or incompatibility with peers. Feeling of neglect, ostracisation and victimisation.

Work Organisation : Rigid and unfair rules; too much or too less work responsibility; lack of recognition, etc.

S. Chandra's study on grievance procedure and practices revealed the following as some of the main causes of employee grievances:

- | | |
|-------------------------|-----------------------|
| 1 Amenities | 9 Nature of job |
| 2 Compensation | 10 Payments |
| 3 Conditions of work | 11 Promotions |
| 4 Continuity of service | 12 Safety environment |
| 5 Disciplinary action | 13 Superannuation |
| 6 Fines | 14 Supersession |
| 7 Leave | 15 Transfers |
| 8 Medical benefits | 16 Victimisation |

The list is indicative and not comprehensive.

The apparent causes or sources of grievances may not always be the real ones. There is need for deeper analysis of the policies, procedures, practices, structures and personality dynamics in the organisation to arrive at the real causes of grievances.

Grievances stem from management policies and practices, particularly when they lack consistency, uniformity, fair play and the desired level of flexibility. Grievances also may arise because of intra-personal problems of individual employees and union practices aimed at reinforcing and consolidating their bargaining strength. The absence of a proper two-way flow of communication can indeed be a fertile ground for breeding grievances.

18.4 EFFECTS OF GRIEVANCES

Grievances can have several effects which are essentially adverse and counterproductive to organisational purposes. The adverse effects include:

- a) Loss of interest in work and consequent lack of morale and commitment
- b) Poor quality of production
- c) Low productivity
- d) Increase in wastage and costs
- e) Increase in employee turnover
- f) Increase in absenteeism
- g) Increase in the incidence of accidents
- h) Indiscipline
- i) Unrest, etc.

18.5 HOW TO HANDLE GRIEVANCES

Employee grievances are essentially human problems, real or imaginary. Whatever be the cause, the approach should be humane. Sensitivity and empathy are required in handling grievances diligently. So they need to be handled with care the way you handle glass.

Employee grievances have to be handled promptly. An aggrieved employee suffers from a sense of injustice being done to him. Recall the adage, 'Justice delayed is justice denied'. The need to handle grievances promptly cannot be over-emphasised. In a good many cases, trivial issues concerning one or a few employees become collective issues and are blown out of proportion causing avoidable loss and bitterness, because they were not dealt with properly and promptly.

Employee grievances will have to be settled at the level at which they occur in order to avoid the feeling of injustice at the interacting group level. If a worker has a grievance with or about a supervisor and if it is redressed not at the concerned supervisor's level but one or two levels above him, the employee continues to be dissatisfied about the supervisor because he has not been able to resolve it, someone else had done it. So the loyalties change. In the process, supervisory authority gets eroded. Hence, it is important to have the grievances settled, preferably at the level at which they occur.

When grievances occur, it is important to make sure that they do not recur. If more grievances occur over the same issue, time and again and more number of employees are found to have a similar grievance, the focus should shift from person and (grievance) procedure to policy and practices. An archaic rule may continue to be the cause of much irritation among many employees. Then it is appropriate to take a relook at the particular aspect of policy and alter or modify the same rather than get bogged down with redressing each and every case. If some grievances are recurring in nature, the strategy should prevent rather than cure them.

18.6 THE DISCOVERY OF GRIEVANCES

Knowledge about grievances is important in handling them. Upward channels of communication provide the dependable sources for discovery of grievances. One can also come to know about grievances through gossip and grapevine or through unions. It is always preferable to have first hand knowledge based on observation and through direct communication from the employee concerned. Some of the important ways of discovering grievances are briefly outlined here.

Direct Observation

A good manager must know how his subordinates behave in ordinary circumstances. When significant changes in that behaviour occur, it is sure to affect performance. Absenteeism, lateness, indifference, etc. are some of the forms in which discontent and dissatisfaction find expression. A careful analysis of grievance rates, accident rates, requests for transfer, indiscipline, etc., may reveal general patterns that are not easily discernible in the first instance.

Grievance Procedure

The most important channel through which discontent and dissatisfaction can be communicated is through grievance procedure. A grievance procedure provides an avenue and an opportunity to give vent to his grievances. The dilemma most managers face is whether and how far they should encourage or discourage grievances. If management does not induce employees to express their grievances, unions will do so. Discouraging employees from expressing grievances means ignoring grievances. When they simmer and burst, managements find it beyond their capacity to deal with them adequately. Thus, it is important to have a grievance procedure to process grievances. This aspect is discussed in detail, in a subsequent section in this unit.

Gripe Boxes

The gripe box is a facility to file anonymous complaints about the various causes of discontent and dissatisfaction in the organisation. It is different from the suggestion scheme system that may be in vogue in a company. In this case, anonymity is assured and there is no reward or punishment. The limited purpose is to let the management know what the employees feel without fear of victimisation.

Open-door Policy

Most organisations preach open-door policy, but do not practice it. The policy is good and democratic, but usually ineffective and at times counter-productive. Organisations would do well to have a grievance procedure. If a grievance procedure exists, open-door policy becomes redundant.

Exit Interview

Employees usually quit organisations due to dissatisfaction or better prospects elsewhere. It requires certain skill to get to know the real reasons for leaving the job. Exit interviews, if conducted effectively, can provide vital information to improve personnel policies, and identify the weaknesses and strengths of the organisation. Some organisations mail an exit questionnaire three months after an employee leaves so that he need not fear about a poor reference and give the truth, without fear or favour.

Other Channels

Group meetings, periodical interviews with employees, collective bargaining sessions are some of the other channels through which one can have information about employee discontent and dissatisfaction before they become grievances or disputes.

Each channel referred to above serves the purpose in a different way. Using more than one channel is desirable because it may not be possible to get information about all types of dissatisfaction from one channel. For example, the type of information one can get through a grievance procedure would be perceptibly different from what one can get from a gripe box or an exit interview.

18.7 THE PROCESSING OF GRIEVANCES

As already discussed, there are valid reasons to have the grievances processed through a machinery or procedure. A grievance procedure can be voluntarily established by the management or installed as a result of a collective agreement to that effect. Whether unionised or not, organisations should not wait for unions to raise their voice and use the strength in establishing a grievance procedure.

The purpose of a grievance procedure is to

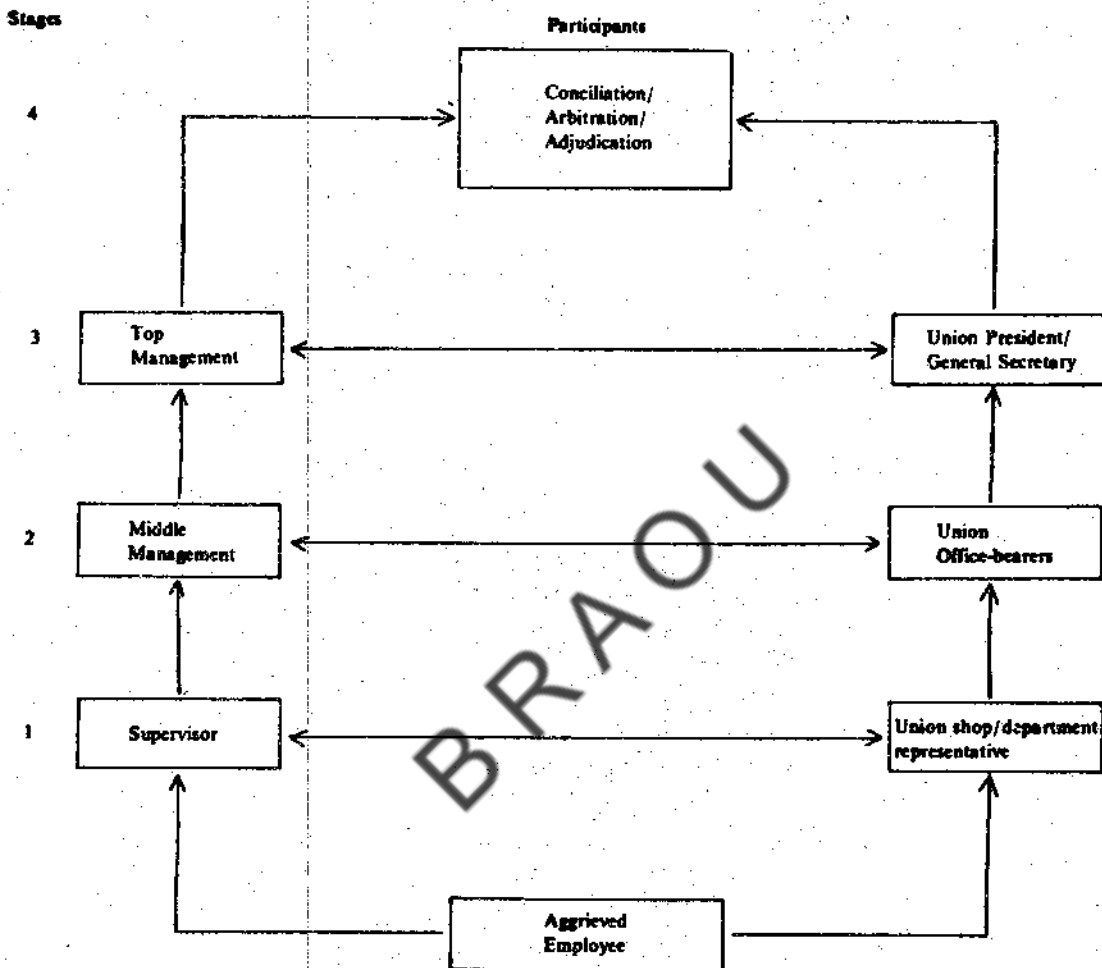
- let aggrieved employees know what to do if they have a grievance and where to look for or appeal to
- check on arbitrary management decision by providing for appeals in at least three levels above the level at which such grievances occur. However, the less frequently the higher levels are used, the more effective they become
- promote fair and equitable treatment and personnel practices having regard to the rights of the employee. The superiors will be more careful in their arbitrary use of power and authority
- assist in minimising discontent and dissatisfaction that may have adverse effects upon cooperation and productivity.

The details of a grievance procedure/machinery may vary from organisation to organisation. Here, a four stage model (see Fig. 1) is suggested. The first and the last stages have universal relevance, irrespective of the differences in the procedures at the intermediate stages. The four stages of the machinery are briefly discussed here:

The level at which grievance occurs : The best opportunity to redress a grievance is to resolve it at the level at which it occurs. A worker's grievance should be resolved by his immediate boss, the first line supervisor. The higher the discontent rises

through the hierarchy, the more difficult it is to resolve. Bypassing the supervisor would erode his authority. When the process moves to a higher stage, the aggrieved employee and the supervisor concerned may shift their focus to save face by proving the other wrong. The substantive aspect of any of the grievances may thus be relegated and dysfunctional aspects come to the fore thus making it more difficult to settle the issue.

Figure 1 : A Grievance Procedure



(Adapted from : C. Pettifer, Effective Grievance Administration, *California Management Review*, 12(i), Winter 1970, p. 18).

In a unionised concern, the first stage of the procedure usually involves three people: the aggrieved employee, his immediate boss and the union representative in the shop/department. It is possible to involve the union in laying down the framework of the grievance procedure and thereafter restrain union involvement in the actual process, at least in the first two stages. The choice depends on the top management attitude and orientation towards the dynamics of union-management relations.

Supervisory role needs to be strengthened, with appropriate training in problem-solving skills, grievance handling and counselling so that he can do much in reducing the number of grievances that get passed to higher stages in the machinery.

Unrealistic policies and expectations and lack of commitment for equity and fairplay can cause problems in handling grievances at the lower level. Inadequate delegation of authority may also inhibit a supervisor's effectiveness in handling grievances at his level.

Intermediate Stage : If the dispute is not redressed at the supervisor's level, it will usually be referred to the head of the concerned department. It is important that line management assume prime responsibility for the settlement of a grievance. Any direct involvement by personnel department may upset balance in line-staff relations.

At the intermediate level, grievance can be settled with or without union involvement. Excessive reliance on supervisor at this stage can jeopardise the interests of the employee and affect the credibility of the procedure.

Organisation Level: If a grievance is not settled at the intermediate level also, it will be referred to the top management. Usually a person of a level not less than General Manager designated for the purpose will directly handle the issue. By now, the grievance may acquire some political importance and the top leadership of the union may also step in formally, if the procedure provides for it and informally, if the procedure prohibits it. At this level it is very difficult to reconcile the divergent interests.

Third Party Mediation : If the grievance has not been settled bi-laterally within the organisation, it goes to a third party for mediation. It could be conciliation, arbitration or adjudication of the matter may even be referred to a labour court. At this stage, the parties concerned lose control over the way the grievance is settled. In case of mediation (conciliation or arbitration) the mediator has no authority to decide, but in case of labour court or an adjudicator, the decision will be binding on the parties, subject to statutory provisions for appeal to higher courts.

18.8 STEPS IN GRIEVANCE HANDLING

At any stage of the grievance machinery, the dispute must be handled by some members of the management. In grievance redressal, responsibility lies largely with the management. And, as already discussed, grievances should be settled promptly at the first stage itself. The following steps will provide a measure of guidance to the manager dealing with grievances:

Acknowledge Dissatisfaction : Managerial/supervisory attitude to grievances is important. They should focus attention on grievances, not turn away from them. Ignorance is not bliss, it is the bane of industrial conflict. Condescending attitude on the part of supervisors and managers would aggravate the problem.

Define the Problem : Instead of trying to deal with a vague feeling of discontent, the problem should be defined properly. Sometime the wrong complaint is given. By effective listening, one can make sure that a true complaint is voiced.

Get the Facts : Facts should be separated from fiction. Though grievances result in hurt feelings, the effort should be to get the facts behind the feelings. There is need for a proper record of each grievance.

Analyse and Decide : Decisions on each of the grievances will have a precedent effect. While no time should be lost in dealing with them it is no excuse to be slipshod about it. Grievance settlements provide opportunities for managements to correct themselves, and thereby come closer to the employees. Horse-trading in grievance redressal due to union pressures may temporarily bring union leadership closer to the management, but it will surely alienate the workforce away from the management.

Follow up : Decisions taken must be followed up earnestly. They should be promptly communicated to the employee concerned. If a decision is favourable to the employee, his immediate boss should have the privilege of communicating the same.

Some of the common pitfalls that managements commit in grievance handling relate to (a) stopping the search for facts too soon; (b) expressing a management opinion before gathering full facts; (c) failing to maintain proper records; (d) arbitrary exercise of executive discretion; and (e) settling wrong grievances.

The following Do's and Don'ts also would help managers to know what care they need to exercise in handling the delicate subject of grievances.

18.9 DO'S AND DON'TS IN GRIEVANCE HANDLING

All these points are not applicable to every case, but if the supervisor is familiar with all of them and observe them in his handling of grievances, he will be prepared for almost any kind of case that may arise.

- 1 Investigate and handle each and every case though it may eventually result in an arbitration hearing.
- 2 Talk with the employee about his grievance; give him a good and full hearing.
- 3 Enforce the contractual time limits.
- 4 Comply with contractual time limits on the company for handling the grievance.
- 5 Don't argue the merits of the grievance first if the grievance is untimely.
- 6 Don't make agreements with individuals that are inconsistent with the labour agreement.
- 7 Don't hold back the remedy if the company is wrong.
- 8 Visit the work area of the aggrieved party.
- 9 Determine if there were any witnesses.
- 10 Examine the relevant contract provisions.
- 11 Determine if the company has been consistent.
- 12 Examine the total agreement and make interpretations based on the whole.
- 13 Don't admit to the binding effect of a past practice.
- 14 Examine prior grievance records.
- 15 Produce all available evidence.
- 16 Permit a full hearing of the issues.
- 17 Identify the relief the union is seeking.
- 18 Treat the union representative as your equal.
- 19 Don't relinquish your authority to the union.
- 20 Admit your errors and take corrective action.
- 21 Don't settle grievances on the basis of what is fair.
- 22 Bear burden of proof in discipline and discharge cases.
- 23 Treat union representatives and employees as people.
- 24 Don't argue grievance issues off work premises.
- 25 Don't give away your copy of the written grievance.
- 26 Don't discuss grievances of striking employees during an illegal work stoppage.
- 27 Satisfy the union's right to relevant information.
- 28 Don't file management grievances.
- 29 Don't overlook the precedent value of prior grievance settlements.
- 30 Don't give long-written answers.
- 31 Don't trade a grievance settlement for a grievance withdrawal.
- 32 Handle cases involving discipline or discharge of union representatives with extra caution and consideration.
- 33 Don't deny grievances on the premise that your hands have been tied by management.
- 34 Control your emotions, your remarks and your behaviour.
- 35 Don't withhold grievance information.
- 36 Maintain records of matters relevant to your labour relations situations.
- 37 Fully inform your own supervisor of grievance matters.
- 38 Remember the union is the moving party.
- 39 Determine if there has been equal treatment of employees.
- 40 Command respect from employees and union representatives.
- 41 Hold your grievance discussions privately.
- 42 Don't make mutual-consent agreements regarding future management action.

- 43 Use the grievance meeting as another avenue of communication.
 - 44 Know your employees as individuals.
 - 45 Demonstrate qualities of leadership to your subordinates.
- (From Baer, 1985).

18.10 GRIEVANCES AND INDUSTRIAL RELATIONS

One of the problems in industrial relations scene in India is the lack of an appreciation of the distinct boundaries between grievance procedure and collective bargaining. Individual grievances often become the subject matter for collective bargaining and industrial disputes. The institution of Labour Welfare Officer under Factories Act, 1948 and Works Committees under the Industrial Disputes Act, 1947 apparently have a positive role to play in grievance redressal. The code of discipline, which was a voluntary, self-enforcing type of code formulated in 1958 suggested a grievance procedure. The Industrial Disputes (Amendment) Act, 1982 provided for compulsorily setting up of Grievance Settlement Authorities in undertakings employing 50 or more workers. This particular aspect of the 1982 amending Act has not yet been enforced by the Government.

A discerning student of industrial relations scene in India would understand the reasons for the increasing role of unions in dealing with individual employee grievances. An aggrieved employee is concerned about protection of his interests. Unions have a role in protecting the interests of individual employees who are on their rolls as members. To the extent managements fail in dealing effectively with individual grievances at the first stage itself, the role of the union increases. The higher a grievance moves in the organisation the greater will be the involvement of the union and the larger the industrial relations implications.

18.11 SUMMARY

A grievance is a discontent or dissatisfaction. There are several reasons for grievances. Often the stated reasons may not be the real reasons. Grievances have several adverse effects on the performance of the individual as also the organisation. Grievances have to be handled promptly at the stage at which they occur. The higher the discontent rises through the hierarchy, the more difficult it is to resolve. There are several channels for discovering grievances. They include direct observation, grievance procedure, gripe boxes, open-door policy, exit interview, etc.

There should be a machinery or procedure for redressing grievances. It could be established voluntarily by the management or as a result of collective agreement between management and union(s). A four step procedure is suggested. The steps in grievance handling and the do's and don'ts for managers dealing with grievance handling are also discussed. Finally, we have considered the industrial relations implications of employee grievances.

18.12 SELF-ASSESSMENT TEST

- 1 Discuss the causes and effects of grievances.
- 2 Briefly outline the features of a grievance procedure and the steps in grievance handling.
- 3 Describe the role of the immediate supervisor in processing grievances with respect to the employee, union representative and the personnel department.
- 4 Study the grievance procedure and practices in an organisation to which you have access and present a brief report.
- 5 Why should organisations have a formal grievance procedure?

Discuss with the employees of an organisation which has a formal grievance procedure and another which does not have a grievance procedure. Present a brief report, if you notice any significant differences and consequences in grievance handling.

18.13 KEY WORDS

Complaint : Utterance of a grievance.

Grievance : Real or fancied ground for complaint.

Gripe Box : A box kept in a place easily accessible to most employees in an organisation where they can file anonymous complaints about their discontent or dissatisfaction.

Open-door Policy : A policy whereby employees in the organisation are given easy access to managers at all levels to share their concerns.

18.14 FURTHER READINGS

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APPENDIX

Model Grievance Procedure

At the 16th session of Standing Labour Committee, in October 1957, the Central Government was asked to prepare a Model Grievance Procedure. The draft produced by the Union Labour Ministry in March 1958 was revised and subsequently adopted at a meeting of a sub-committee of the Indian Labour Conference (Sub-committee) on Worker's Participation in Management and Discipline in Industry in New Delhi on 19th September, 1958.

Grievance Machinery

Grievance machinery will be required to be set up in each undertaking to administer the Grievance Procedure. The minimum requirements of such machinery would be as discussed in section B, except where an established procedure is already working to the mutual satisfaction of both the parties. Even in the latter case, every effort will be made to bring the procedure in conformity with the suggested procedure.

For the purpose of constituting a fresh Grievance Machinery, workers in each department (if a department is too small, in a group of departments) and each shift, shall elect, from amongst themselves and for a period of not less than one year, departmental representatives and forward the list of persons so elected to the management. Where the union(s) in the undertaking are in a position to submit an agreed list of names, recourse to election may not be necessary. Similar is the case where Works Committees are functioning satisfactorily, since the Works Committee members of particular constituency shall act as the departmental representatives. Correspondingly, the management shall designate for each department the persons who shall be approached at the first stage, and the department heads nominated by the management shall constitute the Grievance Committee, the composition of which is indicated in Appendix. In the case of appeals against discharges or dismissals, the management shall designate the authority to whom appeals could be made.

Grievance Procedure

While adaptations have to be made to meet special circumstances such as those obtaining in the Defence Undertakings, Railways, Plantations and also small undertakings employing few workmen, the procedure normally envisaged in the handling of grievances should be as follows:

- 1 An aggrieved employee shall first present his grievance verbally in person to the officer designated by management for this purpose. An answer shall be given within 48 hours of the presentation of the complaint.
- 2 If the worker is not satisfied with the decision of his Officer or fails to receive an answer within the stipulated period, he shall, either in person or accompanied by his departmental representative, present his grievances to the Head of the Department designated by the Management for the purpose of handling grievances. For this purpose, a fixed time shall be specified during which on any working day, an aggrieved worker could meet the departmental head for presentation of grievances. The Departmental Head shall give his answer within 3 days of the representation of grievances. If action cannot be taken within that period, the reason for delay should be recorded.
- 3 If the decision of the Department Head is unsatisfactory, the aggrieved worker may request the forwarding of his grievance to the Grievance Committee which shall make its recommendations to the Manager within 7 days of the worker's request. If the recommendations cannot be made within this time-limit, the reason for such delay shall be recorded. Unanimous recommendations of the Grievance Committee shall be implemented by the Management. In the event of a difference of opinion among the members of the Grievance Committee, the views of the members along with the relevant papers shall be placed before the Manager for final decision. In either case, the final decision of the Management shall be communicated to the workman concerned by the Personnel Officer within 3 days from the receipt of the Grievance Committee's recommendations.
- 4 Should the decision from the Management be not forthcoming within the stipulated period or should it be unsatisfactory, the worker shall have the right to appeal to Management for a revision. In making this appeal, the worker, if he so desires, shall have the right to take a union official along with him to facilitate discussions with the Management. Management shall communicate their decision within a week of the workman's revision petition.
- 5 If no agreement is still possible, the union and the management may refer the grievance to voluntary arbitration within a week of the receipt by the worker of Management's decision.
- 6 Where a worker has taken up a grievance for redressal under this procedure the formal conciliation machinery shall not intervene till all steps in the procedure are exhausted. A grievance shall be presumed to take the form of a dispute only where the final decision of the top management in respect of the grievance is not acceptable to the worker.
- 7 If a grievance arises out of an order given by the Management, the said order shall be complied with before the workman concerned takes recourse to the procedure laid down for the redressal of grievance. However, if there is a time lag between the issue of order and its compliance, the grievance procedure may immediately be invoked, but the order nevertheless must be complied with within the due date, even if all the steps in the grievance procedure have not been exhausted. It may, however, be advisable for the management to await the findings of the grievance procedure machinery.
- 8 Worker's representatives on the Grievance Committee shall have the right of access to any document connected with the inquiry maintained in the department in order to understand the merit or otherwise of the worker's grievance. The Management's representatives shall have the right, however, to refuse to show document or give any information they consider to be confidential. Such confidential document shall not be used, against the workman in the course of the grievance proceedings.
- 9 There shall be a time limit within which an appeal shall be taken from one step to the other. For this

purpose, the aggrieved worker shall within 72 hours of the receipt of the decision at one stage (or if no decision is received on the expiry of the stipulated period), file his appeal with the authority at the next higher stage.

- 10 In calculating the various time intervals under the above clauses, holidays shall not be reckoned.
- 11 Management shall provide the necessary clerical and other assistance for the smooth functioning of the grievance machinery.
- 12 If it is necessary for any worker to leave the department during working hours, or call from the Labour/Personnel Officer, or any other Officer of the established grievance machinery, previous permission of the superior shall necessarily be obtained. Subject to this condition, the worker shall not suffer any loss in wages for the work time lost in this manner.
- 13 If, however, there be any complaint against any individual member of the staff, who is nominated by the management to handle grievance at the lowest level, the workman may take up his grievance at the next higher stage i.e. at the level of Departmental Head.
- 14 In the case of any grievance arising out of discharge or dismissal of workman, the above mentioned procedure shall not apply. Instead a discharged or dismissed workman shall have the right to appeal either to the dismissing authority or to a senior authority who shall be specified by the management within a week from the date of dismissal or discharge. At the time the appeal is heard, the workman may, if he so desires, be accompanied by either an official of the recognised union or a fellow worker as the case may be.

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BLOCK 6 UNIONS AND MANAGEMENT

This Block contains five units. The first two units will introduce you to the two principal actors in the industrial relations scene: employees-unions and employers' associations. The first unit focuses attention on trade unionism and provides a perspective on the major weaknesses and problems facing the trade union movement in the country. The second unit profiles the structure and role of employers' associations. The third unit discusses the concept of collective bargaining and describes the processes and skills required for effective collective bargaining. The fourth unit explains why conflict is inevitable and the forms in which it is manifested. It also analyses the trends in industrial disputes and evaluates the machinery available for resolving industrial disputes. The unfair labour practices and the principles of managing for good industrial relations have also been discussed. The fifth and the final unit provides a perspective on the role of workers' participation in management as a vehicle of industrial democracy. The various schemes of participative management introduced in the country during the last four decades have been examined to understand their purpose, progress and limitations. The prerequisites to make participative schemes work effectively have also been considered.

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UNIT 19 TRADE UNIONISM

Objectives

Trade unions are unique organisations whose role is variously interpreted and understood by different interest groups in the society. The purpose of this unit is to understand the role of trade unions; review the growth of unions in India and understand their problems. The purpose is to provide a perspective on the trade union scenario in the Indian context. This knowledge, hopefully, will help in dealing with unions.

Structure

- 19.1 The Role of Trade Unions
- 19.2 Trade Unions in India
- 19.3 Unionisation
- 19.4 National Level Federations
- 19.5 Trade Unions Act, 1926
- 19.6 Goals and Objectives of Unions and Union Leadership
- 19.7 Weaknesses in Trade Unions
- 19.8 Union Leadership
- 19.9 Trade Union Organisation and Management
- 19.10 Trade Unions, Politics and Government
- 19.11 Managerial Unionism
- 19.12 Summary
- 19.13 Self-assessment Test
- 19.14 Further Readings

19.1 THE ROLE OF TRADE UNIONS

Trade union, according to Webbs, "is a continuous association of wage earners for the purpose of improving conditions of employment". This narrow conception of the role of unions has often been criticised. There is considerable debate on the purposes and role of trade unions. The predominant view, however, is that the concerns of trade unions extend beyond 'bread and butter' issues.

For Allen Flanders, the major function of trade unions is 'regulation' — a governmental role, whose essence lies in rule-making. The effects of union action extend beyond the securing of material gains to the establishment of workers' rights in an industry. The constant inroads that unions have made into managerial role and prerogatives bring about a dual power structure in the enterprise. As Flanders says, 'Unions restrain the exercise of managerial authority in deploying, organising and disciplining the labour force after it has been hired'. Thus the trade unions are considered not merely as economic organisation, but also as political institutions directed toward wresting control over managerial authority. The political character of the unions has been exemplified by Marx and his followers who visualised trade unions as harbingers of social revolution to change the whole structure of class domination.

Thus the political roles of union range from job regulation at workplace to bringing about a social revolution.

Trade unions are also seen as moral institutions which will uplift the weak and downtrodden and render them the place, the dignity, and justice they deserve.

There is considerable debate on the economic, political, and moral functions of unions. Trade unions through industrial action (such as protests and strikes) and political action (influencing Government policy) established minimum economic and legal conditions and restrained capitalist exploitation and abuse of labour wherever the labour is organised. But, there is widespread pessimism about the revolutionary potential of trade unions to overthrow the capitalist system as such.

In newly independent societies and low income countries, there is a plea for responsible trade unionism: "Unions should defer immediate wage gains in the larger interests of the society; they should help increase production and productivity and be moderate in pushing the interests of their members". The logic is that the unions should cease to be mere advocates of sectional interests and be responsible for the larger interests of society.

However the concept of responsibility to a wider cause does not generally find favour with the rank and file of unions. As Flanders puts it:

"The first and the overriding responsibility of all unions is for the welfare of their members. A union collects its members' contributions and demands their loyalty specifically for the purpose of protecting their interests as they see them, not their alleged 'true' or 'best' interests as defined by others."

The arguments against responsible unions are several. In a democracy, organised pursuit of sectional interests is legitimate. Those who argue for responsible trade unionism and are concerned about production, not distribution, ignore the inequitous distribution of wealth and opportunities.

19.2 TRADE UNIONS IN INDIA

Until the middle of the nineteenth century, except coal mining, there was no industrial activity in the country in the modern sense. The setting up of textiles and jute mills and laying of the railways since 1850 paved the way for the emergence of labour movement in India.

The origin of the movement can be traced to sporadic labour unrest dating back to 1877 when the workers of the Empress Mills at Nagpur struck work following a wage cut. In 1884, Bombay textile workers demanded improvement in wages and working conditions. It was estimated that there were 25 strikes between 1882 and 1890.

The earliest organisations to be formed on the lines of modern trade unions were: (i) the Textile Labour Association at Ahmedabad (movement started in 1917 with a strike for wage rise, but the Association was formed in 1920) led by Anasuyaben Sarabhai, and (ii) the Madras Labour Union (1918) led by B.P. Wadia.

The Nationalist Home-Rule movement and the difficult conditions after World War I led to the growth of union movement in early 1920s. The political leaders of that time, philanthropists and social workers took the initiative in organising industrial workers at major centres either for political reasons or because they were moved by the wretched conditions of the workers.

In 1920, the All India Trade Union Congress (AITUC) was formed because of the need to have a national centre of labour to depute delegates to the International Labour Organisation (ILO) formed in 1919. By 1924, there were 167 trade unions with a quarter million members.

The conditions after the war, the growing interest in unionism and the spate of strikes led the Government to consider legal initiatives in 1920s. The Indian Factories Act, 1922 enforced a 10-hour work day. The Indian Trade Union Act of 1926 made it legal for workers to organise and protest, and exempted actions flowing out of legitimate trade union activity from the purview of civil and criminal proceedings. This Act still continues to be the basic law governing trade unions in the country.

Ideological differences within the AITUC led to a three-way split between communists led by M.N. Roy and Dange, nationalists led by Mahatma Gandhi and Nehru, and moderates led by N.M. Joshi and V.V. Giri. While party ideology was supreme for the communists, the main preoccupation of the nationalists was Independence. The moderates however wanted to pursue trade unionism in its own right and not subjugate it completely to broader political aims or interests. The moderates and the communists broke away from the AITUC in the 1920s and 1930s but rejoined AITUC by 1940. In May 1947, however, the Indian National Trade

Union Congress (INTUC) was formed by nationalists and moderates, since by then the communists had acquired control over AITUC. The Congress socialists who stayed in AITUC at the time of the formation of INTUC subsequently formed the Hind Mazdoor Sabha (HMS). Years later, the HMS was split up with a faction of socialists forming the Bhartiya Mazdoor Sabha (BMS). And again when there was split among the communists the United Trade Union Congress (UTUC) and Centre of Indian Trade Unions (CITU) were formed. Later a splinter group of UTUC formed another federation, i.e. UTUC Lenin Sarani. With the birth of regional parties since the 1960s, almost each regional party now has a trade union wing. Thus, the origin and growth of trade union movement in India is riddled with fragmented politicisation.

19.3 UNIONISATION

The population of the country as per 1981 census was 685 million. Of this 223 million representing 33.4 per cent of the population were considered 'main workers'. *

The labour force is distributed in the following ratio:

Agriculture	: 62.2%
Industry	: 17.2%
Services	: 20.6%

The employment in organised public and private sectors was 15.48 million and 7.4 million respectively in 1981. The total claimed membership of 10 central trade union organisations (as shown in Table II) in 1984 was less than 14 million. Thus, while the percentage of organised workers in the total labour force works out to about 10 per cent, the share of claimed membership of central organisations of trade unions in the total labour force and workforce in the organised sector works out to about 7 per cent and two-third respectively. The degree of unionism is fairly high in the organised sector, with at least one-half, by any estimate, being members of one or the other union. But in the agriculture and unorganised sectors where the bulk of the labour force is engaged, the degree of unionisation is negligible. Majority of the workers in agriculture and unorganised sector work on low wages, face erratic employment and perform difficult tasks and put up with harsh working and living conditions. Majority live below the poverty line and in several employments even the statutorily prescribed minimum wages tend to be lower than the poverty-level wages. In the absence of strong trade union movement even the compliance of minimum wage legislation in these sectors leaves much to be desired. In recent years, the Government has initiated a number of measures to organise and educate rural and unorganised workers, improve their wages and working conditions, and provide necessary legislative and administrative support.

19.4 NATIONAL LEVEL FEDERATIONS

Of the 10 central trade union organisations listed in Table II, four major federations have been in existence, for a long time and have established a national network of federated unions. They are: All India Trade Union Congress (AITUC), Indian National Trade Union Congress (INTUC), Hind Mazdoor Sabha (HMS), and Centre of Indian Trade Unions (CITU).

AITUC: The AITUC was established in 1921. It is led by members of the Communist Party of India (CPI). While the union does engage in plant and industry-level bargaining over economic issues, its major goal is political. The guiding principle of union action has been the policy of the CPI. The CPI leaders have always occupied top positions in the union. The policies of the CPI and the AITUC have been influenced in considerable measure by international communism.

* In the 1981 Census, 'Main Workers' were defined as those who were engaged in any economically productive activity for a minimum of 183 days during the year preceding the date of enumeration.

The AITUC has alternated between violent opposition and total cooperation depending upon the disposition of Soviets towards the Government at the Centre.

The organisational set up is as follows: (i) the affiliated union (unit/local level); (ii) provincial bodies (state level); (iii) the general council including office-bearers (which incorporates the working committee of the general council); and (iv) the delegates to the general or special session. The general council consists of the president, seven vice-presidents, a general secretary, a treasurer and not more than five secretaries and one member representing every 500 members.

The working committee consists of all office-bearers of the AITUC as *ex officio* members and 35 members elected by the general council by a system of cumulative voting. The general session of AITUC meets once in two years, the general council meets once a year, and the working committee at least twice a year. The day-to-day operations are carried out by the secretariat at the National and State levels. As on 30 August, 1984, the AITUC claimed a membership of 10.64 lakhs in 1366 unions. The corresponding figures as per official verification were 3.45 lakh workers and 1080 unions.

INTUC: The INTUC was organised in 1947, with active support and encouragement from Congress party leaders. The ideology of the INTUC is to pursue industrial relations in Gandhian tradition, with its emphasis on truth and non-violence. Within the INTUC, there have been two distinct traditions. One is exemplified by the Ahmedabad Textile Labour Association which has a distinct trade union tradition emphasising the resolution of disputes through voluntary arbitration. The other group is composed of unionists who were active in AITUC and NTUF and is made up of Congressmen and Congress Socialists. They stress the need to promote the workers' interests and to use the strike weapon where necessary. It is commonly argued that INTUC has been a major beneficiary of the long stint of Congress rule. But the relations in actual practice between the party and the union have been complicated and the ties have not been an unmixed blessing. The basic pattern of organisation in the INTUC is the industry level federation. It has regional branches and state level council. At the apex level, it has a General Council, a Working Committee and an Assembly of Delegates. The apex body takes an overall view on broader issues and gives directions to the regional branches. As on 30 August, 1984 it has a claimed membership of 35.09 lakhs (3457 unions). As per verification by the Government the membership was 22.36 lakhs (1604 unions).

HMS: This federation came into being in 1948. It espouses the socialist philosophy and has linkages with socialist parties. The major elements that constitute the HMS are the Congress Socialists who operated as a pressure groups within the Congress, the Royists (who pursue M.N. Roy's line of thinking) and a section of the Forward Bloc. Though socialism has been the ideology of the federation, the exact brand of socialism to be advanced has been the subject of major controversy among the constituent elements. Consequently there was a division within the socialist ranks which resulted in the emergence of the Hind Mazdoor Panchayat. In terms of trade union strategy, the HMS lies somewhere between the soft line of INTUC and the radical stance of the communists.

The general council of HMS is composed of the president, not more than five vice-presidents, a general secretary, not more than two secretaries, a treasurer and other members representing various industries. As on 30 August, 1984 the claimed membership of HMS was 18.48 lakhs (1122 unions) and the verified membership was 7.63 lakhs (426 unions.)

CITU: The CITU was established in 1971 as a result of the split in the AITUC which in turn was a sequel to the split in the CPI. The CITU owes its allegiance to the CPI(M). It is animated by the goal of organising workers to further their interests in economic, social and political matters.

The CITU has a general council which meets once in two years. The day-to-day operations and administration are carried out by the Secretariat at National and State levels. In the 1984 verification, CITU has claimed a membership of 10.33 lakhs (1737 unions) and verified membership of 1.27 lakhs (1474 unions).

19.5 TRADE UNIONS ACT, 1926

The Trade Unions Act, 1926 provides that any seven workers may form a union and seek registration with the Registrar of Trade Unions. The registered trade unions are protected from civil and criminal proceedings arising out of the conduct of trade disputes. In return, the union must file annual returns of their membership and finances with the Registrar of Trade Unions. Registration and recognition are two different aspects and the Act does not contain any provision for statutory recognition of unions.

Labour being a concurrent subject upon which both the Union and State Governments can legislate, some State Governments legislated for statutory recognition. The Bombay Industrial Relations Act, 1946 provided for the recognition of the largest trade union in an undertaking/region with a membership of at least 25% of the workforce. Madhya Pradesh and Rajasthan followed suit while in the rest of the country there is no statutory provision for union recognition. Government's efforts to sort out the recognition issue became abortive. This was due to differences among central trade union organisations belonging to different political parties over the issue of secret ballot for membership verification. With the result, the Act which is supposed to regulate and strengthen the trade union movement, has contributed greatly to weaken it.

Union recognition has remained a grey area. Weak managements tended to shift the blame on the Government for not helping them with a legal remedy to union recognition while in a good many cases managements which know their job learnt to find a way out to overcome the ticklish problem against several odds. Examples are innumerable. The problems in union recognition did not stop managements getting industry-wide wage settlements in steel, metal, textiles, coal, ports, etc. The way companies like Premier Automobiles in Private Sector and ITI at Naini in Public Sector tackled the problem in recent times also serve as models.

19.6 GOALS AND OBJECTIVES OF UNIONS AND UNION LEADERSHIP

A study group of the National Commission on Labour (1968) observed that the main goal of the union leaders is to use the workers in achieving their material goals. But workers are equally concerned about their self-interests and shift their allegiance time and again, on the basis of perceived expectation as to a leader's ability to deliver goods. Thus, in a way, there is a kind of reciprocal relationship in their instrumental behaviour.

The role of trade unions is perceived differently by different parties. Some view it in terms of cooperation with the management for increasing productivity, thereby contributing to economic development. Others view trade unions as basically protest organisations designed to defend the workers against capitalist exploitation. These divergent viewpoints are reflected in the way different unions operate in India.

In India, as elsewhere, trade unions often raise demands mainly for higher wages, better working conditions, fringe benefits, promotional opportunities, and safeguards. These and many other demands are directed against the management. In the context of a multiplicity of unions with inter and intra-union rivalry, the union leadership has often been under great pressure. This has led it to conceive or concoct demands to justify their election or re-election and also direct the dissatisfaction of their constituency (members) with the union and its leadership (not to speak of management) against the management.

The unions vehemently argue that the organisation belongs to their members, i.e., the employees. But, in general, unions had done precious little to reinforce this feeling in their members. On the contrary the unions generally found it expedient to create a wedge ('we' and 'they' feeling) between employees and the management. But there is no point in accusing unions of rousing the expectations of the workers.

The job of the union is to educate the workers about their rights. And it is the job of the management to educate their employees about their duties. Management must own responsibility for lack of commitment or decline of work ethic.

19.7 WEAKNESSES IN TRADE UNIONS

That the trade unions in India are on the whole still quite weak and ineffective is a well-known fact. The multiplicity of unions with political affiliations has perpetuated inter and intra-rivalry. This has affected the strength and security of the union and its leadership. Consequently, the unions have been generally under great pressure to obtain some rewards/benefits to their membership if the former were to retain the latter's loyalty. The mushroom growth of unions reduced the average strength of membership per union and eroded their financial viability. As seen from Table I, the number of registered unions had gone up from 11,416 in 1961 to 35,199 in 1980. But the number of unions submitting returns declined. The average membership per union increased upto mid-seventies, but thereafter showed a declining trend. The distribution of unions' membership among different Central organisations of trade unions is shown in Table II.

Their weaknesses can be traced to the excessive state intervention, complicated legal framework, dependence of the unions on political parties, illiteracy of the rank-and-file membership in some industries, outside leadership and antagonistic attitudes and policies of the management. Because they are weak, most of the unions have little bargaining power of their own, and therefore, depend on the Government or political parties for support. There are, of course, exceptions to this rule. Employees in ports and docks, steel, mining, insurance and banks, for example, are well-organised and capable of effective collective bargaining. In the absence of an accepted philosophy of industrial relations and the lack of strong unionism, the union movement in India continues to face the problem of multiplicity with all its consequences.

19.8 UNION LEADERSHIP

Most of the prominent leaders in the Indian trade unions are 'outsiders' i.e., they are educated, middle class individuals who came into Union work from outside rather than through the wage earning ranks. A recent study noted that in almost all the unions where the average education of the membership was low, education was held by members as an important criterion for leadership. Clearly then, formal education which is respected in the larger society as a precondition for political, social and economic participation is also an important factor that distinguishes leaders and activists from members. Upbringing in terms of agricultural background or otherwise is not a determinant of union leadership. Leaders, activists, and members are similar in the extent of their agricultural background. Socio-economically weaker sections, however, participate less in union affairs in comparison with others. However, leaders and activists of unions do not necessarily have a more stable/safe economic status than the members.

Union leaders are activists and politically more active than the ordinary members. Most leaders combine political interests with Union work and consequently they cannot focus their attention on the internal functioning of the workplace. Further, they hold a multiplicity of offices.

Outside leadership is inevitable, if not a necessary evil. In fact, even in developed countries which placed a premium on professional trade union leadership, outsiders play a decisively major role in organising unions and conducting union-management relations. Reindorp observed that the outside leaders' ultimate loyalty remains with the trade union movement while insiders are said to be guided by personal conviction and personal fulfilment as their prime motivation instead of by some ideological conviction.

19.9 TRADE UNION ORGANISATION AND MANAGEMENT

With the advent of large-scale modern industries, trade unions too have become large, complex and impersonal. Although union and management are two different entities, they possess some similar characteristics in their structure and functioning.

Trade unions also require their members to identify their objectives with those of the union. The individual's interests are to be integrated to suit the larger interests of the group to which he belongs. Depending upon the constituency, background and backing, the unions may take a partisan stand. Alienation of the employee today refers not merely to alienation from management, but also the union.

Mergers, acquisitions, takeovers, concentration and monopoly are peculiar not merely to big business houses and industrial managements, but also to trade unions and trade union leadership. Capturing trade unions has become the 'in-thing' for the new breed of entrepreneurs in the trade union field. They need not go through the rigours of starting from scratch but can capture a union at the ripe time. That such capturing has become easy and simple speaks volumes about the vulnerability of the unions. Some union leaders 'own' and control the affairs of a couple of hundred unions each and have virtual monopoly over labour markets in some industrial centres. They resort to or encourage restrictive practices and wield vast muscle power to paralyse civic life and throttle economic activity.

The unions harp on freedom and participation. But, there is little internal democracy in the functioning of most unions. Delegation and decentralisation and more important, sharing of information and proper communication are much less possible in most trade unions than most industrial enterprises. Even among the principal office-bearers of the same union there is often inadequate communication. Workers' participation in the management of their unions, and more important, the participation of even the office-bearers of the unions in their union matters is often woefully lacking. This is just as managements wail over the fact that they themselves are not ordinarily involved in management.

19.10 TRADE UNIONS, POLITICS AND GOVERNMENT

In all part of the world, overt and covert involvement of trade unions in politics is discernible. The nature, form and extent of involvement may, however, vary depending upon the economic system stage of development and socio-cultural and other aspects. The Indian situation is rather peculiar. In India, unions are bound up in Government and politics much too glaringly and palpably.

Many of the union demands are also directed against the Government for several reasons: first, the Government, being a Welfare State with commitment to a socialist pattern of society, assumed a major role for the protection and welfare of workers and enacted a plethora of legislation. The many loopholes in legislation and persistent weaknesses and inadequacies of administration were responsible for the growing dissatisfaction with Government. In the context of ever-increasing expectations within a dependent socio-cultural framework, the unions often expect and demand the Government to bridge the gap. At the same time, both the unions and management oppose any initiative from the Government if they seem to impinge upon their autonomy or affect their sectional interests. With the result, today much of what unions do and want is determined by the Government. Secondly, Indian trade unions were largely organised by nationalist leaders, many of whom directed the workers against the British regime. Today in the federal set-up, one finds INTUC union being more vocal in States where Congress-I is not in power. AITUC, CITU and unions owing affiliations to other political parties turn their members' dissatisfaction against the Governments everywhere.

Thirdly, though the Government professes its commitment to collective bargaining, in practice the main thrust was decisively towards compulsory arbitration. Morris argues that by increasingly taking away the wage-welfare functions from the trade

unions to enforce disciplined response to the requirements of the State, the trade union movement has moved closer to the Soviet model than to the American model since 1934.

Fourthly, there has always been considerable discretion to ministers in matters concerning industrial relations which rendered them susceptible to trade union pressure. The union leaders therefore showed preference to run for public office and improve their bargaining power. The Pradesh Congress (I) Committee Chief of Andhra Pradesh wanted to have at least one party ticket from each district allotted to INTUC leaders in the 1983 A.P. Legislative Assembly elections. According to a recent (1983) survey by the Ministry of labour, Government of India, 28 ministers in various States (including 16 in West Bengal) are actively associated with organising trade unions. Unionised employees have been generally showing preference for people with political clout in choosing their leadership. The political leaders, in turn, generally evinced a tendency to cultivate trade union leaders who have significant control over an important section of vote banks in their constituencies. This paved the way for mutual cooperation wherein the politician minister and the trade unionists functioned hand-in-glove. Morris observed in 1960 that, torn by conflicts between the requirements of economic development and social harmony, the State in India has perhaps conceded more to the labour force than is desirable in the interests of economic development.

Fifthly, almost all national trade union federations have been affiliated to one political party or the other. And, the number of such national federations has been increasing since the mid-70s, in tune with the increase in the so-called national political parties. It is not an exaggeration to say that almost each political party has its own trade union wing.

It is nevertheless futile to consider only trade unions as being politicised and not managements. Managements too are not apolitical. In quite a few cases, managerial responses provide the stimuli for unions to become politicised. Union shopping and divide and rule policy may have at times provided short-term gains for the managements, but in the long run such managements do suffer. With or without politicisation, the union derives its strength partly, if not mainly, from the weaknesses of the management in the power struggle between union and management.

19.11 MANAGERIAL UNIONISM

Managerial unions (euphemistically called associations), a recent phenomenon, is on the rise. The purpose of managerial unions is not very much different from that of other trade unions for employees at different, but lower levels, in the hierarchy. The means and the strategies may differ in the sense that the managerial unions are relatively soft in their wheelings and dealings than most of the blue collar trade unions. The Managerial unionism is spreading rapidly and the urge to unionise is becoming intense when the attitude and approach of the government/management is hostile and pre-empts collectivisation by managers. The National Federation of Officers' Association is now striving for statutory recognition of managers' association. The managerial unions are relatively more assertive and aggressive in nationalised industries like banking, coal and refineries. Some of the factors responsible for the growth of managerial unionism in India are:

- 1 Job security.
- 2 Aspects of Government policy and legal regulation which favour unionised workforce.
- 3 Anomalies in pay.
- 4 Nationalisation and consequent rationalisation of pay and perquisites.
- 5 Protection against growing violence and intimidatory tactics of certain sections of workforce.
- 6 The growing influence of blue and white collar unions on joint regulation and employee control at workplace and consequent sense of erosion of power and influence among the middle and junior managers.

19.12 SUMMARY

We have considered the economic, political and moral role of trade unions and examined briefly the implications of the concept of responsible unionism. We have made a cursory review of the growth of the trade union movement in India, and observed that it is riddled by fragmented politicisation. Unionisation is observed to be low, and perhaps negligible in agriculture and in the unorganised sector.

The Trade Unions Act, 1927 makes it possible for any seven members to register a union and this has led to the mushroom growth of unions and the attendant evils of inter and intra-union rivalry and declining average membership and poor finances.

There are some parallels in union organisation and management organisation. Trade union role is woven into politics and Government for a variety of reasons. It is, however, futile to consider only trade unions as being politicised and not management. A major issue of concern in trade union scenario in recent times is the formation of managerial unions, euphemistically called associations. These managerial unions have been particularly active in nationalised industries.

19.13 SELF-ASSESSMENT TEST

- 1 Get a copy each of the constitution of any three central organisations of trade unions and the respective political parties. Tabulate the objectives of each union and juxtapose them with those of the objectives of the party to which they owe their allegiance. Examine whether and how the party ideology is reflected in trade union objectives.
- 2 Talk to a few union leaders/office-bearers in your organisation. Ask them why they are taking active role in union activity. Talk to a few union members in your organisation. Ask them about their union leaders' goals. Compare and contrast their responses.
- 3 Visit a trade union office with a sizeable following and the other with a small following. Observe the differences in the structure, functioning and effectiveness. Study the problems of large versus small union.
- 4 Review the problems of trade unions in India and suggest what needs to be done.
- 5 Do you feel that amending Trade Union Act will be of any avail? Present a case for amending the Act and specify the nature of amendments and the rationale thereof.

19.14 FURTHER READINGS

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Table I
Growth of Trade Unions in India 1961-1980

Year	No. of regd. unions	No. of unions submitting returns	Membership of unions (000's)	Average membership per union
1961	11,416	6,954	3,960	570
1966	14,370	7,086	4,369	600
1971	22,121	8,909	5,431	600
1972	21,677	7,652	4,773	620
1973	26,316	8,349	5,871	681
1974	26,421	8,259	5,455	734
1975*	29,391	9,690	6,267	742
1976*	28,417	8,719	6,022	707
1977	30,403	8,683	5,878	671
1978	31,721	8,239	6,022	723
1979	33,023	6,655	4,661	695
1980	35,199	4,392	2,653	602

* Data is incomplete and relates only to those unions which submit returns. Even the returns submitted by unions to the Registrar of Trade Unions usually contain exaggerated claims.

Table II
Membership of Central Trade Union Organisation

S.No.	Central organisations	No. of unions claimed	Membership (in lakhs)	No. of unions verified	Membership (in lakhs)
1	INTUC	3457	35.09	1604	22.36
2	BMS	1725	18.80	1333	12.11
3	HMS	1122	18.48	426	7.63
4	UTUC (LS)	154	12.39	134	6.21
5	NLO	249	4.05	172	2.47
6	UTUC	618	6.08	175	1.66
7	TUCC	182	2.72	65	1.23
8	NFITU	166	5.27	80	0.84
9	AITUC	1366	10.04	1080	3.45
10	CITU	1737	10.33	1474	1.27

Note: Data as announced by Government on 30 August 1984 after verification and perusal of records of the Registrar of Trade Unions.
INTUC: Indian National Trade Union Congress; AITUC: All India Trade Union Congress; HMS: Hind Mazdoor Sabha; UTUC: United Trade Union Congress; CITU: Centre of Indian Trade Unions; BMS: Bharatiya Mazdoor Sabha; NFITU: National Front of Indian Trade Unions; TUCC: Trade Union Coordination Centre; NLO: National Labour Organisation.

UNIT 20 EMPLOYERS' ASSOCIATIONS

Objectives

In India, as in most other industrialised countries, employers' organisation constitute an important segment in the industrial relations system. They influence labour policy, coordinate employer strategy, provide technical, economic and legal services, and may even conduct collective bargaining negotiations.

The objectives of this unit are to:

- review the growth and development of employers' organisation in India,
- examine their objectives and functions, and
- analyse their role and limitations.

Structure

- 20.1 Historical Background
- 20.2 Growth of Employers' Associations
- 20.3 Present Position
- 20.4 Employers' Associations as Trade Unions
- 20.5 Functions and Role of Employers' Associations
- 20.6 Observations of National Commission on Labour
- 20.7 Summary
- 20.8 Self-assessment Test
- 20.9 Key Words
- 20.10 Further Readings

20.1 HISTORICAL BACKGROUND

The first employers' association in the form of the Chamber of Commerce was established in Marseilles in France in 1599. Such chambers are voluntary organisations of the business community established to promote the commercial, industrial and civic interests of their members. They also function as Central Agencies of individual firms, companies, trade and industrial associations for protecting and promoting business interests by evolving and projecting collective thoughts. The utility of these chambers was quickly realised in practically all important countries of the world. It is therefore not surprising, as disclosed by one survey, that there are now nearly 10,000 chambers of commerce in all important countries together with the underlying membership of millions of business organisations and firms. They have also formed a body at the international level known as International Chamber of Commerce with headquarters in Paris. The latter has National Committees in different countries.

Developments in India

With the withdrawal of the East India Company in 1833, the British business interests as well as the interests of other individual businessmen had to be represented to the Government of the day, and as such, the first Chamber of Commerce was established by the British businessmen in India based in Calcutta in 1833 followed by Madras and Bombay in 1836.

Indian businessmen did become members of these British Chambers, but in small number. It is only after the 1880's that they started setting up an independent organisation and engaging in a struggle with British business interests. The first Chamber of Commerce, the native Merchant Chamber of Commerce of Coconada, subsequently known as Godavari Chamber of Commerce, was set up in 1885, the year of establishment of the Indian National Congress. In 1887, the Bengal National Chamber of Commerce was established in Calcutta.

Subsequently, different Chambers of Commerce functioning in the country felt the need to have a central body. The British-oriented Chambers formed a federal association titled Associated Chambers of Commerce for India, Burma and Ceylon in 1920. In 1932, the Ceylon Chamber resigned from its membership, and thereafter

the Burma Chamber, too. Since then it is known as the Associated Chambers of Commerce and Industry of India (ASSOCHAM).

In 1927, the Indian businessmen organised a Central body of the Chambers of Commerce and Trade Associations of Indian business, known as Federation of Indian Chambers of Commerce and Industry. This Federation embraces all types of trade and industry interests. Compared with any other central body it has the largest membership — 1500 Chambers of Commerce and Industry and 1200 Associate members.

ILO and Employers' Associations

Following the formation of the International Labour Organisation (ILO) in 1919, which was mainly set up to develop International Labour Standards, the employers felt the need for a separate international organisation to exclusively deal with issues covered by the ILO. The International Organisation of employers was therefore, formed in 1920. This is now the only world organisation representing the interests of employers in all social and labour matters at the international level. It is a permanent body for the exchange of views and experiences among employers throughout the world and is the recognised channel for communication and promotion of employers' point of view in social and labour matters in all international bodies: It has a permanent consultative status with the United Nations and with the ILO and has close working relations with other international, Governmental and non-Governmental organisations concerned with matters falling within its sphere of activities. Its membership is open to Central employers' organisations of different countries in the world. It is dedicated to preserving the tripartite system of the ILO in accordance with which Governments, employers and workers are represented on an equal footing at all major meetings. It is also dedicated to safeguard the established principle of this system which is that employers and workers shall be able to act and vote independently of their Governments in the ILO at all times. It also provides for the secretariat of the employers' group at the International Labour Conference and for the meetings of the various industrial committees and tripartite technical meetings.

Central Organisations of Employers' Associations in India

Till 1927, the Indian employers' delegate to the ILO was nominated by the Government of India on the representation of the Federation of Indian Chambers of Commerce and Industry (FICCI). It was in 1931 that the Government of India informed the FICCI that under the terms of the treaty of Versailles, the Chambers of Commerce could not be treated as an organisation of industrial employers which could be consulted by the member-governments in nominating employers' delegates. It was to meet this situation that a separate central body of the industrial employers was organised in 1932 and this was called the All India Organisation of Industrial Employers. This name was changed later on, and now it is known as All India Organisation of Employers (AIOE). In 1933, another central organisation of employers known as Employers' Federation of India (EFI) came into existence with a predominant membership of British industrial interests. In 1941, the third Central Organisation was sponsored by comparatively small sized establishments to look after their interests and this was known as All India Manufacturer's Organisation (AIMO). The Government of India Act, 1935 made provision for representation of employers and labour in legislative bodies through special constituencies. The Constituents of the AIOE and the EFI thus got an opportunity to be represented in the Central and Provincial Legislatures. Labour legislations in the thirties in some provinces made it necessary for employers' associations to expand their services in the labour field. The creation of the Labour Department in the Central Government and the constitution of tripartite bodies like Indian Labour Conference, Standing Labour Committee and Industrial Committees during the years of Second World War, helped further these activities within local associations and federations.

20.2 GROWTH OF EMPLOYERS' ASSOCIATIONS

Even before Independence, employers had been forming not only Chambers of

Commerce (largely to promote and protect their commercial and industrial interest), but also associations. The purpose was to meet the challenge of increasing Unionisation of workers and help their constituents to resolve industrial relations problems created by increasing labour legislation and trade union agitations at local, industrial and regional levels. Associations like Indian Mills Association, and Ahmedabad Mill Owners' Association were formed at industry level. Some region-wise associations like Employers' Associations of Northern India, Bengal Mill Owners' Association were also formed primarily to protect the commercial and industrial interests of their members, and to obtain concessions from the Government. It was not until the First World War that they started considering the importance of labour problems also. The Indian Jute Mill Owners' Association and the Bombay Mill Owners' Association because of the conditions created by the first world war started regulating working hours of member mills and introduced a system of payment of standard remuneration to workers. The Ahmedabad Mill Owners' Association also took such action, though somewhat later.

Following the recommendations of the Royal Commission on Labour some industrial associations like Indian Jute Mill Owners' Association (IJMA) and Bombay Mill Owners' Association (BMOA), also set up labour departments with labour officers whose main function was to look into the grievances of workers. The accumulation of such cases often led to major disputes. This development was further encouraged by the appointment of conciliation officers by the Central and State Government labour departments and the employers. Later on with the enactment of Industrial Disputes Act 1947 defining "Industry" as any business and trade, even the chambers of commerce began paying more attention to labour matters. Some of them also organised their own labour departments to assist their members.

After Independence, employers' associations, like employees unions, grew in number to meet the requirements of individual employers for advice on labour matters. In some cases they have built up their strength to match that of the organised labour.

20.3 PRESENT POSITION

At present, employers' associations organised at different levels are of four types:

- (i) Employers' Associations operating through their local associations.
- (ii) Industrial Associations which cut across state boundaries.
- (iii) Federations which comprise representatives of both industries and regional centres.
- (iv) Association of public sector undertakings.

Local Associations of Employers

Such associations have been formed in most of the industrial cities and other industrial areas of the country in the form of chambers of commerce or factory owners' associations. These area and local associations cover all industries in their respective areas. Their field of activity is not confined to industrial and commercial matters only, but also extends to labour matters. Some of them maintain separate cells or wings in their offices for dealing with labour problems. They engage qualified persons who not only advise member employers in regard to their labour problems, but also assist them in getting their labour disputes conciliated and adjudicated with necessary legal assistance in such matters.

Industrial Associations

The industrial association is the general pattern of organisation of employers in India. These associations are formed at the area/regional level as also at the all India level. Regional/industrial associations are generally affiliated to the Central Organisation at the apex level. The main reason for the development of industry-wise associations is the common nature of the problems confronting each industry. Individual employers are also admitted at the apex level. Growth of industrial association has been considerably helped by the setting up of industrial committees at the Central and State level, industry-wise wage boards, industry-wise adjudication and conciliation, and collective bargaining at the industry level in certain regions and Industries (like Jute, Cement, Cotton, Textiles, Engineering

Tea, Sugar, Paper and Chemicals). In turn, most of these associations are affiliated to national federations. They have been instrumental in providing specialised labour advisory services and developing training facilities for management personnel. In some industries, there is more than one industrial association and this multiplicity has at times hindered the progress of collective bargaining on an industry-wise basis. In some industries like coal, plantation and steel, this difficulty has been overcome to some extent by forming joint committees. These ensure a uniform approach by employers in dealing with industrial relations problems of the industry and in making representation to the Government.

Federations

They comprise representatives of both industries and geographical centres. There are three such federations operating at the National level i.e. All India Organisation of Employers (AIOE), Employers Federation of India (EFI) and All India Manufacturers' Organisation (AIMO). They have representation on consultative bodies in labour matters. The AIMO is an omnibus multipurpose body which represents the voice of small and medium sized employers, though its membership is not necessarily restricted to them. Unlike the AIOE and the EFI, the AIMO combines in itself both the trade and labour interests of its members. The membership of these three organisations is open to individual firms or joint stock companies engaged in any industry, and to any association/chamber of commerce representing any industry in the country. Among them, the three federations cover almost all employers. Some employers' associations are members of more than one national federation. As their sphere of influence vary from area to area and from industry to industry, their functions become more inclusive and these Federations develop a mutuality of interest. This explains the reason for a firm being member of more than one federation.

The three federations have special committees to deal with specific problems. Besides, they operate through their regional committees and maintain close links with the respective chambers of commerce as well. In many cases, labour departments attached to a chamber of commerce and to a federation are common. The regional committees serve as a vital link between the federation and the chambers as also its affiliated industrial associations. The AIMO activities centre around the functions of 20 special committees, one of which is for industrial relations. Its membership is spread throughout India. The AIMO has nine State Boards, four Regional Boards, and seven District Councils.

Aims and Objectives of the Federations

i) Employers Federation of India (EFI)

The principal objectives of the EFI as embodied in its Constitution are to:

- Promote and protect the legitimate interests of employers engaged in industry, trade and commerce.
- Maintain harmonious relations between management and labour and to initiate and support all well-considered schemes that would increase productivity and at the same time give labour a fair share of the increased return.
- Collect and disseminate information affecting employers and to advise members on employer-employee relations and other ancillary problems.

These objects lie within the field of what may broadly be termed "industrial relations". Although consideration of broad economic problems is not altogether excluded, the EFI does not generally comment on commercial questions of customs, taxation and the like which lie in the sphere of the Associated Chamber of Commerce and Industry. The EFI was registered as a trade union in 1963 and carries out its activities through four regional committees and a central board. It has three types of members, namely, association members, ordinary members and honorary members.

ii) The All India Organisation of employers (AIOE)

Its objectives are to:

- Take all steps which may be necessary for promoting, supporting or opposing legislative and other measures affecting or likely to affect directly or indirectly, industries in general or specific industries.

- Nominate delegates and advisors, etc. to represent the employers of India at the international Labour Conference, United Nations Organisation, International Chamber of Commerce, and other conferences and committees affecting the interests of trade, commerce and industries, whether as employers or otherwise promote and support all well considered schemes for the general uplift of labour and to take all possible steps to establish harmonious relations between capital and labour.

The AIOE was founded in 1953, as a labour wing of FICCI. It has two types of members, individuals and associations.

iii) The All India Manufacturers' Organisation (AIMO)

The objectives of AIMO are to:

- Bring about rapid industrialisation of the country through sound and progressive policies.
- Help in increasing aggregate output in India.
- Raise the standard of living of the people of India by utilising to the fullest possible extent all the available national resources and talents in the country.
- Play a positive role in relieving the pressure of population on land.

The industrial relations functions of the AIMO are similar to those of the EFI and the AIOE.

All these employers' organisations function through their regional offices which have over the years developed departments well equipped to deal with labour matters. The two federations, AIOE and EFI operated severally in securing representation on consultative bodies but jointly in their approach to problems connected with labour. With the coming together of these two main bodies in the Council of Indian Employers (CIE) in 1965, it has taken over the function of choosing delegates to represent Indian employers in international conferences/commissions. This council has since become a member of the International Organisation of Employers (IOE) at Brussels in place of the AIOE and EFI which till then were affiliated to the IOE separately. This joint approach has resulted in the building up of not only adequate advisory services in labour matters, but also in training of management and personnel officers at various levels.

Standing Conference of Public Enterprises (SCOPE)

There was some hesitation in earlier years in the public sector to join industry-wide organisations primarily meant for employers in the private sector. The reluctance of some undertakings to fall in line with the private sector may also have some justification, but as employers there is an identity of interests between private and public sectors. The Government of India had permitted public sector units to join the respective industrial associations and some of them became members of the Federation of Indian Chambers of Commerce and Industry (FICCI) but later on the Government banned the membership of these associations for public sector undertakings.

In 1970, a separate organisation of public sector undertakings known as SCOPE (Standing Conference of Public Enterprises) was set up and registered as a society. The SCOPE looks upon its task as being both internal and external to the public sector. Internally, it is to assist the public sector to improve its total performance and externally to help improve its total boundary role in conveying such information and advice to the community and the Government. Besides improving the performance of the public sector, its object is to participate in the policy-making process for public enterprises. Its main activities are to:

- convene and hold conferences and organise seminars on matters concerning industry, business, trade, national economy, better management techniques, public sector and matters incidental thereto
- sponsor, initiate or arrange training programmes for promoting better management techniques
- initiate, sponsor or undertake research projects on matters connected with public sector

- prepare a code of practices to simplify and facilitate transactions of business of public enterprises
- establish and maintain such advisory or consultative cells or panels of experts who may be of use to the society in general or to public enterprises
- nominate delegates, advisers, etc. to represent public enterprises in national and international conferences, conventions and meetings of employers, the ILO conference and other conferences, commissions and committees affecting the interests of public sector, whether as employers or otherwise.

The SCOPE has brought out several useful publications, including a pamphlet on industrial relations in the public sector. The Organisation has enormous potential for growth as an autonomous body concerned with the operational effectiveness, planning and policy formulation for the public sector. The SCOPE should not keep itself away from industrial association in the private sector since industrial relations problems of both the sectors are similar in many respects.

20.4 EMPLOYERS' ASSOCIATIONS AS TRADE UNIONS

The term "Trade Union" is defined under the Trade Unions Act, 1926, as "any combination, whether temporary or permanent formed primarily for the purpose of regulating the relations between workmen and employers, or between workmen and workmen or between employers and employers or for imposing restrictions on the conduct of any trade or business and includes any federation of two or more trade unions."

According to this definition, not only workmen but also employers can combine and get their unions or associations registered under this Act, and function as such.

In the U.K. and other industrialised countries, combinations or unionisation of workers was followed by combinations or organisation of employers to resist collective bargaining or pressure from workers for improving their working and employment conditions in the nineteenth century. This resistance on the part of employers resulted in industrial conflict causing severe hardship to both the parties. It took them time to realise the value of resolving their differences by sitting across the table for bargaining collectively and arriving at collective agreements to be honoured by both the parties. In industrial conflict the workers asserted their right to be treated as human beings and given a fair deal while the employers, organisations asserted their unfettered right to so manage their undertakings as to attain their organisational goals. The same thing happened in India, though with less intensity. The employers associations were formed not only to protect and promote the commercial and industrial interests of their members but also to help the latter to manage their relations with their employees by arranging necessary legal and other advice. Another aim was to assist the employers, in getting their labour disputes settled by conciliation, arbitration and adjudication. For this, many associations have set up separate cells in their offices staffed with qualified persons to deal with labour matters. Several employers' associations particularly at local, city, or regional levels are registered under the Trade Unions Act, 1926 and are functioning as such. An important federation like the EFI is registered under this Act. As far back as 1969, the National Commission on Labour reported that there were as many as 163 employers' associations which were registered under the Trade Unions Act, 1926. However, employers' associations can be registered under the Trade Unions Act, because of the difference in the nature of their role and functions. But their office-bearers cannot claim, and perhaps do not require, the kind of immunities that the office-bearers of workers' unions registered under the Act become entitled to. As compared to employees' unions, associations and organisations of employers are stable and have fewer problems arising out of low membership and paucity of funds, multiplicity and inter or intra-association rivalry. The employers' associations, unlike employees' unions are not plagued by ideological differences so much. Whatever the other differences, their general objective has been to make more out of their investments.

At the central or national level, multiplicity has not been a problem with employers' associations. United representation of employers interests at the tripartite forums has for all practical purposes been effectively secured by the main employers' associations coming together under the CIE. But the AIMO is kept outside the CIE

in view of definitional problems as to what constitutes an employers' association within the framework of the ILO for the purpose of representation on tripartite forums. The CIE has, however, considered the SCOPE as representing employers in public sector. As in the case of the IMO the SCOPE's coverage is wider, than the EFI and the AIOE which originally founded the CIE in 1965.

20.5 FUNCTIONS AND ROLE OF EMPLOYERS' ASSOCIATIONS

Initially, the functions and role of employers' associations were mainly that of protecting and promoting the commercial and industrial interests of their members. They were performing these functions by supplying necessary information and data required by members, by taking up their difficulties and problems with the Government and obtaining for them as much relief as possible. They also represented their affiliates at national and international conferences and exchanging views on matters of common interest with other employers and communicated to their members matters which required their consideration and necessary action. With the emergence of trade unions and their growing collective bargaining strength, and the intervention of the Government in industrial relations by enacting legislation or otherwise with considerable leaning towards workers, employers' associations found it necessary to help their members in dealing with their labour problems. With the passing of time these problems have acquired such magnitude and importance that there is now hardly any employers' association at the local, industrial and national levels which has not set up a separate labour wing or cell in its office to deal with them. The labour functions that the employers' associations perform differ at different levels, but they are so wide that they influence considerably the shaping, structuring and even regulation of the industrial relations system of the country.

National Level Federations

At the national level, functions on the labour side are somewhat limited. In the existing industrial relations system, powers and responsibilities are largely concentrated in the associations operating at the industry and regional levels or in individual employers. In Sweden and Italy, the national federations are negotiating bodies as well but in India they neither participate in any negotiations with unions, nor do they deal directly with any industrial relations problem of their constituents. If at all they do espouse the cause of an individual employer in very few cases. The general function that they perform are of four types, as explained below:

- a) **Communication:** They keep their members informed of all new labour laws (even at the formative stage), shifts and changes in labour policy, important court decisions on labour matters, obligations accepted at national level (Code of Discipline, Industrial Trade Resolution, Rationalisation Agreement) and important tripartite deliberations.
- b) **Advisory Functions:** They advise affiliates on complex legal provisions when such advice is sought. Some associations like Bengal Chamber of Commerce, Employers Federation of India, IJMA, Bombay Mill Owners' Association, etc. have built up an expert labour advisory service for their members.
- c) **Representational Function:** They are represented on various committees, wage boards, etc. set up by the Government from time to time and place before them the employers' point of view. Sometimes they themselves set up special committees to study particular problems.
- d) **Educational:** They organise seminars and conferences of their members and even organise training programmes for executives so that all important industrial relations issues are widely understood.

Industry-wise Associations

They occupy a key position in the industrial relations system as they are placed in a better position to appreciate the problems of the industry concerned and provide guidance to their constituents. The local/regional industrial associations are still in a better position to do this, as they can contact their members and reach unions

easily. Their function is as much to safeguard and promote the long-term benefits of the industry as to look after the short-term interests of individual employers. In the Eastern and Western regions, particularly in industries such as tea, jute, coal, engineering and cotton, the industrial associations have played roles, with varying effectiveness, in sponsoring standard practices in giving guidance to all members in all matters governing industrial relations. Although direct negotiations between industrial associations and trade unions have not made much headway there are instances where an industrial association and trade unions have reached industry-cum-regionwise understanding in the meetings of industrial committees or conciliation. Industrial associations at the local/area level maintain informal contacts with trade union organisations. Labour departments of such associations have resolved disputes between workers and managements of their constituent units.

Functions of Individual/Central Organisation

Some of the important functions which such organisations are performing may be summed up as follows:

- Study of labour relations within the industry and encouraging a uniform approach to the solutions of the industry's labour problems.
- Provide expert labour advisory service to their members.
- Building up certain traditions of industry-wise negotiations.
- Collection and dissemination of statistical information relating to trade, commerce and labour.
- Development of training institutions and programmes for managers, supervisors and personnel/welfare officers.
- Collective bargaining with unions by some associations like Indian Jute Mills Association, Ahmedabad Mill Owners' Association and Bombay Mill Owners' Association.

Role in Industrial Relations

Employers' associations play a substantive role in the industrial relations system in India. In spite of the fact that employers' right to manage and discipline their workers has been abridged considerably by labour legislations and growing unionism, their associations still manage to afford some protection to them by countervailing the pressures of trade unions. By representing them in the national and international conferences, commissions and committees they enable employers to have some say in the formulation of Government labour policies, enactment of labour laws and other vital matters affecting their survival and growth.

20.6 OBSERVATIONS OF NATIONAL COMMISSION ON LABOUR

National Labour Commission examined the working of employers associations and made certain observations and recommendations which deserve consideration:

- 1 Public Sector Undertakings and Cooperatives should be encouraged to join their respective industrial associations.
- 2 Registration of employers associations should be made compulsory. Arrangements should be made through the Industrial Relations Commissions for certification of employers' organisations at industry/area level for purposes of collective bargaining.
- 3 Joint Committee to deal with problems of the industry as a whole or to negotiate on behalf of the industry at that level.
- 4 Employers' associations should encourage collective bargaining and voluntary arbitration and avoid third party intervention as far as possible.
- 5 Regular and scientific arrangement for training of supervisors and middle management personnel in the art of handling labour should receive due attention from employers' associations.
- 6 Employers' associations should build up their internal consultation system in such a manner that all matter which have a far-reaching impact on members are scrutinised by the constituents prior to any decision that might be taken at the national level.

should:

- undertake promotion of collective bargaining at various levels
- encourage observance and implementation by their members of bipartite and tripartite agreements in real spirit and form
- expedite implementation of wage awards by members
- work towards elimination of unfair labour practices by employers
- encourage adoption by members of personnel policies conducive to productivity and industrial peace
- promote rationalisation of management or organisation to improve productivity
- arrange employers' education (a) in the concept of labour partnership in industry, (b) for ensuring identity of interests of labour and management, (c) for promoting harmony in the goals of industry and community
- work towards collective welfare of its members through training research and communication in the field of labour-management relations.

20.7 SUMMARY

The history of employers' associations can be traced to 1599. Till employees formed their unions the main functions of the employers associations were to protect and promote industrial and commercial interests, discuss their problems at the national and international conferences and meetings and take up their difficulties with the Government concerned. With the growth of unionisation of employees, labour matters also started receiving their attention.

The employers associations in India have a three-tier structure. There are local associations, associations of industries and all-India federations. In the private sector three federations, ASSOCHAM, the FICCI and the FASII from the industrial wing. The CIE representing the EFI, the AIOE and the SCOPE forms the labour wing. These three are recognised as employers' organisations and represented on the various tripartite bodies like Indian Labour Conference (ILC), Standing Labour Committee (SLC), etc. The CIE nominates employers' representatives for the annual ILO conference and is also member of the International Organisation of Employers. The EFI, the AIOE and the SCOPE share information with their members and advise them on legal and other labour matters and procedures. Some have their own labour departments. They also make efforts to educate their members through seminars, training programmes and conferences. They also represent their members on various bodies. Associations at industrial and local levels are more helpful to their members in solving their labour problems.

The employers' associations in India do not take direct part in politics. However, they are now beginning to participate in industry-wise collective bargaining. But these associations have certain organisational weaknesses. They have little control over their members and groupism in some associations is also affecting their working. For effective working they should manage to overcome these weaknesses.

On the whole, employers' associations have come to stay as a reaction to the growth of bargaining power and pressure tactics of workers' unions and Government intervention through legislation which together abridged the earlier rights of management in regard to dealing with labour and their unions. Over the years, they have made a perceptible contribution towards safeguarding employers interests.

20.8 SELF-ASSESSMENT TEST

Answer the following questions from your memory, in not more than two pages each to assess whether you have understood the subject matter of this unit.

- 1 Discuss briefly the growth and development of employers' associations and their function.

- 2 Explain briefly:
 - a) The difference between employers' associations and chambers of commerce.
 - b) Whether employers' associations can register themselves as trade unions, if so, would they be treated similar to workers' unions?
 - c) Can public sector undertakings become members of employers' associations?
- 3 Comment on the observations and recommendations of the National Commission on Labour on the role of employers' associations in India.

20.9 KEY WORDS

AIOE: All India Organisation of Employers.

CIE: Council of Indian Employers. It is a federation, at the national level, comprising three employers organisations, the All India Organisation of Employers, the Employers Federation of India and the Standing Conference on Public Enterprises. Its purpose is to choose delegates to represent Indian employers at international seminars and conferences.

EFI: Employers Federation of India.

Employers Association: It is distinct from a trade association or a chamber of commerce and deals mainly with matters concerning labour and industrial relations and represents employers interests in bipartite and tripartite forums at various levels.

SCOPE: Standing Conference of Public Enterprises. An organisation of public enterprises founded in 1970. Unlike the AIOE and the EFI, it is a multi-purpose organisation that concerns itself not only with labour and industrial relations but all other aspects relating to member organisations.

20.10 FURTHER READINGS

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UNIT 21 COLLECTIVE BARGAINING

Objectives

Collective bargaining is a major institutional mechanism for resolving conflict of interest between labour and management in a free society. The purpose of this unit is to explain the following:

- concept, its functions and the process,
- prerequisites for collective bargaining,
- preparations and skills needed to make it effective, and
- past, present and future scenario of collective bargaining in India.

Structure

- 21.1 The Concept
- 21.2 Functions and Characteristics of Collective Bargaining
- 21.3 The Process of Bargaining
- 21.4 Prerequisites of Collective Bargaining and Agreement
- 21.5 Development of Collective Bargaining
- 21.6 Position in India
- 21.7 Recommendations of National Commission on Labour
- 21.8 Summary
- 21.9 Self-assessment Test
- 21.10 Further Readings

21.1 THE CONCEPT

Collective bargaining is a procedure by which the terms and conditions of employment of workers are regulated by agreements between their bargaining agents and the employers. Although discussions in Works Councils or Joint Production Committees between representatives of the management and the workers in individual factories have some feature which resemble collective bargaining, the two processes are fundamentally different. In collective bargaining the objective is to reach agreement on wages and other conditions of employment about which the parties begin with divergent viewpoints but try to reach a compromise. When a bargain is reached, the terms of the agreement are put into effect. On the other hand, the main task of Works Council, is usually to exchange information and consider suggestions for improving safety, health and welfare and increase productive efficiency. Although differences and grievances may be usually on matters of common interest about which an exchange of views is mutually advantageous, the outcome of the discussions frequently takes the form of recommendations on which the final decision is left to the management. Even if there is resemblance between such recommendations and parts of a collective agreement in Works Councils, the emphasis is mainly on cooperation based on common interest, whereas, in collective bargaining the emphasis is on reconciliation of divergent interests or demands.

The system of collective bargaining may vary a great deal between countries, industries, points of time and even individual plants. This variation may relate to the level at which the bargaining takes place, issues under negotiation, the nature and extent of third-party intervention and the legality of the contract.

The idea of collective bargaining originated in the writings of Sidney and Beatrice Webb towards the end of the nineteenth century. The Webbs regarded collective bargaining as a method by which trade unions protected and improved the conditions of their members' working lives. They viewed the process of collective bargaining as an extension from the individual undertakings of the employment contract. Chamberlain took an integrated view of the bargaining process and listed three possible ways of looking at the bargaining process — the marketing, governmental and managerial theories. The marketing theory holds, in agreement with the Webbs, that collective bargaining is a means of contracting for the sale of

labour. The governmental theory claims that while the bargaining process has a contractual character, it is more than a means of earning a higher price for labour and should be seen as the result of joint rule-making by the union and management. The managerial theory holds that collective bargaining is a system of industrial management for the conduct of industrial relations. The union and the management together reach decisions on matters concerning labour.

The theoretical perspectives are not mutually exclusive and represent three stages in the development of the bargaining process itself. As Flanders puts it: One might say that, while the first theory draws attention to the trade union as a labour cartel in collective bargaining, the second sees it as introducing an autonomous and agreed rule of law into employer-employee relations, and the third stresses its contribution towards making management more democratic or furthering industrial democracy.

The underlying idea of collective bargaining is that the employer and employee relations should not be determined unilaterally by either party, or with the intervention of any third party. If these relations are to be lasting and acceptable to both the parties they should be settled with their mutual agreement. In other words, both should have equal say in determining their working relations, so that no one may take advantage of the weakness or helplessness of the other and exploit it. In fact the exploitation of workers by employers with the advent of industrial revolution and factory system of production compelled workers to combine and form their unions to bargain with their employers collectively instead of individually for their working, employment and living conditions. In other words, workers found their collective bargaining strength as the only means of combating their exploitation by employers and obtain fair terms of working and employment conditions from them. The pattern of growth of the trade union movement influences the development of collective bargaining.

Seeing the workers unions, the employers also started combining and formed their own associations to match the collective strength of workers.

Collective bargaining rules out the intervention of the third party. In collective bargaining the concerned parties get together voluntarily without the intervention of any third party for settling disputes and finding solutions to their problems. A mutually acceptable arrangement is obviously the best; it needs no enforcement since it is likely to be implemented willingly by the parties concerned themselves. This may also promote self-reliance, mutual good-will, trust, confidence and cooperation among the parties.

21.2 FUNCTIONS AND CHARACTERISTICS OF COLLECTIVE BARGAINING

Collective bargaining can be used for a number of purposes as illustrated below.

The main purpose of collective bargaining is the settlement of industrial disputes or conflicts relating to wages and working conditions. Gradually collective bargaining has been encroaching upon and abridging the earlier prerogatives of management to manage and discipline workers, and it has begun to create new rights for the employees. From recruitment to retirement or retrenchment, virtually all aspects have become the subject matter for collective bargaining. Even overtime and promotion have become bargainable in many cases. Several collective agreements have even perpetuated the notion of jobs as property rights and legitimatised restrictive practices.

Collective bargaining has become an instrument of employee participation in decision-making and issues of participation are now being decided on whether and how they infringe upon the trade union rights of collective bargaining. In several countries including India schemes for employee participation have been effective only when the foundation for them has been laid by collective agreement rather than by law or by administrative orders of the Government.

Some of the important characteristics of collective bargaining are:

- It is a relation of give and take. "Take it or leave it" or "give it or face trouble".

are not the rules of the game, when parties are equal in bargaining power. When either party is weak, it may turn out to be "giving in" or "giving away."

- It is a process of retreat without seeming to retreat. Workers generally want to get the maximum and employers want to give minimum. If the parties want to reach an agreement, they will have to retreat from the position first taken by them and will have to accept less than what is demanded and give more than what is offered.
- It is a process of persuasion and reasoning which may enable parties to arrive at some amicable settlement or agreement.
- It is a power relationship in which management tries to retain its right to manage and unions to safeguard their interests so as to strengthen their hold over the workers.

21.3 THE PROCESS OF BARGAINING

Collective bargaining is a process. Broadly it consists of three stages as indicated below:

- i) Negotiation of Agreement.
- ii) Implementation of Agreement.
- iii) Renewal and Revision of Agreement.

Negotiation of Agreement

After receiving the points in disputes or matters to be settled, parties start negotiations and try to arrive at an agreement. For this, both the parties have to make necessary preparations for justifying their respective stands. Agreements, when possible, reflect a sense of compromise in a give and take spirit and also manipulation power equilibrium between the parties. The signed agreement becomes a contract between the parties.

Implementation of Agreement

Arrangements are also to be made for implementation and for attending to complaints arising out interpretation of the agreement. In fact, the collective agreement may specify the *modus operandi* to resolve disputes or problems arising out of or in the course of the agreement.

Renewal and Revision of Agreement

Normally agreements mention the period of their operation after which they can be terminated, renewed or revised. Sometimes provision is made for revision of the agreement during the period of its operation to meet the contingencies arising from changes in economic and other conditions. Managements, therefore, might have to start informal consultations for its revision during its operation, or when it is about to expire. Unions generally start demanding the revision of the agreement before its expiry. Thus, collective bargaining could well be a continuous process, and it does not end with signing of the agreement as it has to be publicised, administered or implemented, followed up and revised if need be, or as specified.

21.4 PREREQUISITES FOR COLLECTIVE BARGAINING AND AGREEMENT

The following are prerequisites for the success of collective bargaining:

- i) Employees and employers should have **freedom of association** and from their unions or organisations. The question of collective bargaining does not obviously arise without a union, particularly for employees.
- ii) The parties concerned should have **mutual trust and confidence** and respect for each other, and also willingness to settle matters by negotiations. During negotiations they must avoid unfair practices which may vitiate the atmosphere conducive for bargaining. There should be greater emphasis on accommodation than on conflict, and regard should be shown for the rights and responsibilities of one another.

- iii) There should be a semblance of parity in the strength of both the parties i.e. the employers and the union for real and effective bargaining to occur.
- iv) **Right of employees and employers to strike and lock out** must be recognised subject to national interest, as this alone can ensure freedom of collective bargaining. Parties should have freedom to decide how to regulate employment relations. Even where the government provides a regulatory framework there should be sufficient leeway for both the parties to negotiate and set norms or regulations.
- v) Both the parties should select such **representatives** who are **duly authorised to give and take**, and could observe proper rules of bargaining and avoid break down of dialogue as far as possible. The bargaining has to be factual and discussion based on facts properly assessed by joint investigation, if possible.
- vi) The **government should actively encourage collective bargaining** as a method of settling not only industrial disputes but also overall employer and employee relation. Possible steps that the Government can take in this direction are:
 - a) Announcing a policy at the Central and State level with sufficient clarity that the Government is in favour of bipartite settlement of disputes at plant, industry, regional and national levels, and will minimise their interventionist approach.
 - b) Making employers recognise unions as bargaining agents and frame suitable rules for such a recognition to be observed both by employers and unions.
 - c) Encourage collective agreements by conferring on them legitimacy and validity, provide the help of a conciliation machinery to parties to resolve their difference when necessary and prohibit unfair labour practices.

Preparations for Negotiations

The success of collective bargaining is directly proportionate to the thoroughness of the preparation. As collective bargaining is a continuous process, it should be given serious consideration and needs careful advance planning. These preparations will create confidence on each side of the bargaining table, expedite negotiations and lead to more constructive thinking. The preparation which unions and employers should make before going to the negotiation table could be discussed as hereunder.

Unions' Preparation

- Consider the implications, feasibility and financial capacity of the organisation while formulating demands.
- Study the existing terms of employment and conditions of work and compare them with the comparable industry in the local area/region/country for preparing a statement of demands.
- Consult shop representatives and discuss with the members of the union to assess their requirements before formulating the demands.
- Analyse past or existing agreements for preparation of new demands or change.
- Review grievances and arbitration decisions in order to build or modify existing agreements.
- Compare the current agreements with other agreements in that area or industry negotiated by the same or sister unions, thereby strengthening the bargaining position.
- Obtain economic information on issues to be advanced in negotiation along with data relating to the proposals and demands submitted.
- The statement of demands should be clear and self-explanatory so as not to give rise to any misunderstanding.
- Inform all members of the demands to be raised with the employer/employer's organisation and their implications.
- Advise members not to resort to anything which might jeopardise the smooth negotiations during collective bargaining.

Employer's Preparations

- Anticipate statement of demands from the union once it has been recognised as a collective bargaining agent.
- Study agreements in other comparable units/industry/area and find out important provisions agreed upon; analyse them and find out to what extent they could be accepted if the same or similar demands are raised.
- Analyse grievances and arbitration awards, in particular those grievances that arise repeatedly under the same agreement and look for poor and unworkable clauses which call for revision.
- Conduct meetings with supervisors and other lower echelons and record their experiences of working with existing or past agreements, thus providing information for possible changes.
- Meet representatives of other companies for the purpose of exchanging view points regarding terms of employment and conditions of work applicable therein and the working of agreements.
- Study provisions of various labour laws to ensure that the terms of agreement when arrived at are in accordance with and not contrary to the law.
- Study and obtain economic information of company, area and industry as well as the national policies before starting negotiations.
- Examine the labour relations policy of the company and the changes, if any, on the anvil.
- Examine the attitude and assistance rendered by the union and the shop stewards in the implementations of the existing or past agreements and various methods adopted.
- Get full clarification of various demand submitted for Collective Bargaining before actual negotiations start and take tentative decisions thereon without being rigid.
- Select the right negotiator or a team of negotiators in advance.

Qualities of a Good Negotiator

- a) Top executives from either side commanding authority to speak and act, should be appointed as negotiators. Where it is not possible adequate authority should be given to the negotiator to discuss and take prompt decision.
- b) In case more than one negotiator or a team of negotiators is appointed, the chief spokesman should also be named.
- c) The team of negotiators must be small from each side, preferably within the limit of 3 to 5.
- d) The negotiators must enjoy the confidence and respect of both sides.
- e) The negotiators should be those who have optimism, patience intelligence, tact, stamina, capacity to listen, integrity, open mindedness and good manners.
- f) They must be experts in human relations.
- g) If necessary, bring in supervisors and lower echelon officers for special issues where technical knowledge is involved to explain the issue fully to the opposite side.
- h) A negotiating committee should not air any internal disagreement in a joint bargaining session, and if it is so, the bargaining session should be adjourned for a short period to reconcile differences.
- i) Negotiators should not be too quick to respond or to refuse proposals or positions of the other side without proper understanding and appreciation of the viewpoint of the other side.
- j) Negotiators should use the right type of words and adopt a reasonable attitude. Use of "never" and "final" should be avoided unless one means it.
- k) The other party must not be belittled.
- l) Mutual respect should be observed at the bargaining table.
- m) Punctuality at meeting should be observed and adjournment should be avoided as far as possible.
- n) No threat of a strike or lockout should be given either before or during negotiations. The atmosphere should be free from threats and be congenial for negotiations.
- o) Parties should not expect spectacular result of complicated issues in a short time. The process should be gradual to achieve satisfactory result. Whenever there is a deadlock in negotiations, the negotiators should adjourn the discussions.

- p) Strikes and lockouts, even demonstrations should be regarded as a remote possibility in order to have free and frank discussions.
- q) The parties should not be adamant or stand on prestige, but concede demands if relevant facts and agreements are advanced to justify them.
- r) Negotiators should also keep in mind the proper timing of proposals as to when a particular issue could find a ready solution. For this they must:
 - have flexibility
 - know when to do what
 - know what is acceptable today, but may not be acceptable tomorrow, or may be acceptable tomorrow but not today
 - have intuition and experience
 - have good communication for the successful negotiations

For this they should keep lower echelons posted on negotiations through letters and meetings as it would lessen chances of rumours, and add to their sense of participation in the organisational matters.

Techniques of Bargaining

No hard and fast rule can be laid down with regard to the bargaining techniques, but the following should be kept in view:

- take up one issue at a time
- decide the total monetary increase and then allocating it over the issues involved
- make a tentative agreement on an issue and making finalisation dependent upon the completion and signing of the entire contract
- learn the value of changing the subject when awkward situation arises
- be a good listener
- learn to identify techniques which give best results
- question the evidence offered
- use only verified data and facts
- sidetrack unrealistic demands without ridicule
- be factual rather than emotional
- use proper language which assists in bargaining
- try to create an atmosphere of trust
- do not threaten to strike or lockout

Drafting of Agreement

The following precautions may be taken in drafting the agreement so that it could be implemented without much difficulty.

- a) Before commencing drafting of collective agreement the draftsman should try to conceive the whole design of it.
- b) Care should be taken to see that nothing is omitted or admitted at random.
- c) Technical or legal terms used should be precise and accurate.
- d) The agreement should be readily intelligible to laymen. There should not be any ambiguity.
- e) A well-drafted document should be clear to any person who has a basic knowledge of the subject matter.
- f) A draftsman should satisfy himself as to what he means to say, what he does not mean to say and what he need not say.
- g) The choice of words should be appropriate to convey the meaning of the writer. Concrete words are preferred to the abstract words and the direct word to circumlocution. The draftsman should use no more words than necessary to express his meaning. He should not use superfluous adjectives and adverbs or round-about phrases. He should use familiar words with precise meaning.
- h) The choice of right words is advantageous both to the reader and writer and as such the writer should be direct, simple, brief, vigorous and lucid.
- i) Words should always be used in the same sense and the active voice is preferable to the passive voice.
- j) Sentences should be clear and short.
- k) Before finally passing a draft, the draftsman should reconsider it. He must be satisfied that the draft means what he intends, that the terms are clear, definite and understandable, and that the requirements of the law have been properly understood.

- l) Before drafting an agreement, the parties should make a thorough study of the data on the subject to appreciate the consequences, implications, and effects in diverse situations and reactions that may follow. An understanding of the socio-economic structure and labour theory will also help in the proper drafting of the agreement.

The draft agreement should contain:

- names of the representatives of parties, their designations and the organisation to which they belong to
 - reference of the union's request for collective bargaining, preamble, and purpose of the agreement
 - reference of all demands irrespective of whether they have been dropped, withdrawn or cancelled
 - period of operation
 - notice period of termination of agreements
 - dates of implementation of various items covered in the agreement
 - provisions in conformity with the law.
- m) Collective agreement as far as possible should be self-explanatory.
- n) Collective agreement dealing with a number of subjects could be made clearer if the document is divided in a logical order in parts and paragraphs with the use of numbers and letters for paragraphs and sub-clauses. Logical arrangement would also minimise the risk of commission or repetition.

Administration of Agreement

If anything is more important to collective bargaining than the contract itself, it is how the parties apply the contract and live under it from day-to-day. Progress in collective bargaining is not measured by the signing of an agreement, but by the fundamental human relationships which develop during its administration, interpretation and enforcement. The administration of the contract has three basic parts:

- a) The introduction of the contract after it is signed by the parties, and training of the foremen in understanding the contract.
- b) Contract alteration and revision during its term including possible re-opening of negotiations on specific issues may be done under the following conditions:
- circumstances may alter making changes in the contract necessary
 - some clauses are kept purposely vague to be taken care of later when the contract is finalised
 - the company may restrict isolated agreements and understandings arrived at individually
 - no contract yet devised is so comprehensive as to cover all conceivable problems which might arise.
- c) **Contract Administration**
This involves two related types of procedures:
- Pressure tactics and strategies during administration.
 - Operation of the grievance procedure.

21.5 DEVELOPMENT OF COLLECTIVE BARGAINING

The story of the development of collective bargaining is the story of the rise and growth of trade unionism itself. Like trade unionism, collective bargaining too developed at first in Great Britain in response to conditions created by the industrial revolution. Early attempts at collective bargaining did not succeed, partly owing to reluctance on the part of employers to negotiate with workers, but primarily due to the legal restraints imposed on the formation of unions under the combination laws. After the repeal of these Acts in 1824, trade unions were relieved of the stigma of illegality, and so collective bargaining began to gain strength and status. Another factor which stimulated collective bargaining was the enactment of a series of Trade Union Acts between 1871 and 1876 by which trade unions were granted the right to peaceful picketing in labour disputes, protection in respect of their funds, and were permitted to acquire a definite civil status by registering themselves with the Registrar of Friendly Societies.

Initially collective bargaining centred around the settlement of wages and other questions at the unit or factory level. At the turn of the 19th century, collective bargaining shifted from the company to national level.

After 1904 national agreements became the rule in collective bargaining. The pattern of bargaining based on voluntary agreements between employers and employees is now the principal feature of employer and employee relations in the United Kingdom.

From Great Britain, the idea of collective bargaining spread to France, Germany and other countries of the continent and the United States. In the U.S., collective bargaining developed in much the same way as in the U.K. There also, early attempts were frustrated by court decisions which labelled trade unions as illegal conspiracies and also by the employers opposition. It is only when the Government recognise the right of the employees to organise and bargain collectively in 1877 that the collective bargaining started taking root. It was aided very much by the legal authority derived from a number of Acts, such as the National Industrial Recovery Act of 1933, the N.L.R. Relations Act of 1935 (Wagner Act) and the Labour Management Relations Act of 1947 (Taft and Hartley Act).

After a century of growth and development, collective bargaining has become the gospel of industrial relations in many countries. Today it regulates wages and the conditions of employment of one-third of the non-agricultural labour force in the U.S. and of about half of the labour force in Switzerland, Austria, Belgium, the Federal Republic of Germany, Luxembourg, the Scandinavian countries and the U.K.

21.6 POSITION IN INDIA

In India modern trade unionism made its first appearance at the end of the First World War, but it was not until 1920 that any serious effort was made to bargain collectively. In that year, a group of employers and their workmen in the cotton textile industry at Ahmedabad concluded collective bargaining arrangements to regulate labour, management relations. Collective bargaining as a mode of settlement of wage disputes did not, however, make further progress for the next ten years or so. The slow growth of collective bargaining during this period could be attributed to the weak organisation of labour and inadequate appreciation of the importance of collective agreement by trade unions.

After the second world war, collective bargaining received fresh impetus partly due to the strength acquired by the trade union movement, but mostly due to the legal and others steps taken by the Government. The legal measures provided for the establishment of machinery for negotiations, conciliation and arbitration. Voluntary measures were aimed at promoting collective agreements on basic issues like need-based wages, profit sharing, rationalisation, retrenchment and lay-off compensation. These agreements were promoted through tripartite conferences and

the Joint Consultative Board (Constituted in 1951) at the national level, and through industrial committees and working parties at the industry level. The changing attitude of employers and the emergence of a new managerial class which dealt with labour problems with sympathy and understanding, also contributed in a large measure to the development of collective bargaining.

With the growth of trade unionism since Independence, collective bargaining and agreements have become more common. Sometime back the Employers Federation of India estimated that 32 to 49 per cent of the disputes were settled by collective agreements. These were arrived at either as a result of collective bargaining with or without the help of any third party, or with the help of the conciliation officer, or in the course of adjudication of disputes. The last two types of agreements had some elements of compulsion but the first two types of agreements were purely voluntary. Most of the agreements were at the plant level. However, in important textile centres like Bombay and Ahmedabad industry level agreements were also arrived at. These agreements had legal sanction under the State Acts. Such collective agreements are also found in tea and coal industries. In new industries like chemicals, petroleum, oil refining and distribution, and aluminium, arrangements for settlement of disputes through voluntary agreements have become quite common in recent years. In ports and docks, collective agreements have been the rule at the individual centres, and on certain matters affecting all ports, all India agreements have also been reached. In banking and insurance also the employers and unions are coming closer to reach collective agreements.

Factors Inhibiting Collective Bargaining

However, the fact still remains that in India Collective Bargaining has not made that much of a headway as in developed and some developing countries and its influence on industrial relations in general and determination of wages and other conditions of employment is only marginal. This limited development of collective bargaining in India can be attributed to the following factors:

- a) Many employers and managements refuse to accept the fact that trade unions have come to stay. They do not like their employees forming or joining any unions. With such an attitude the question of recognising or negotiating with the union voluntarily does not arise.
- b) Trade union movement still covers only a small portion of the total industrial employment. Besides, the unions are too weak to bargain collectively on account of their small membership, poor financial resources, their multiplicity, inter-union and intra-union rivalry, politicisation and poor leadership.
- c) Excessive regulation of industrial relations by legislation and readily available Government intervention for settlement of industrial disputes by conciliation or compulsory adjudication.
- d) Restriction on the rights of employers and employees to lockout and strike respectively.
- e) Unfavourable political and economic climate as the Government, though favourable to collective bargaining, is not prepared to allow endless trial of strength for fear of planned economy being disrupted.
- f) Absence of suitable legislative provisions for recognition of unions as bargaining agents, and for requiring employers and employees to bargain in good faith.
- g) Lack of mutual trust and goodwill, and spirit of give and take among the employees and employers.
- h) Reduced areas of collective bargaining due to encouragement of other institutions like wage-boards, statutory fixation of minimum wages and payment of bonus, regulation of fines and deductions, hours of working, overtime payment, holidays, leave and other working and employment conditions including social security measures.

21.7 RECOMMENDATIONS OF NATIONAL LABOUR COMMISSION

Aspects relating to the factors inhibiting the progress of collective bargaining were examined by the National Commission on Labour in 1969. It recommended the following steps for promoting collective bargaining.

- a) Government intervention in industrial relations particularly in the settlement of industrial disputes, should be reduced gradually to the minimum possible. Compulsory adjudication of disputes should be used only as a last resort.
- b) Trade unions should be strengthened both organisationally and financially by amending the Trade Unions Act of 1926 to make registration of unions compulsory, enhance the union membership fee, reduce percentage of outsiders in the union executive and among the office-bearers, and increase the minimum number of members of union applying for registration.
- c) Legal provision may be made either by a separate legislation or by amending an existing enactment for:
 - compulsory recognition of trade unions and certification of unions as bargaining agents
 - prohibition and penalisation of unfair labour practices
 - bargaining in good faith by both employers and unions
 - conferring legal validity and legitimacy on collective agreements.

There are such provisions in the Maharashtra Recognition of Trade Unions and Prevention of Unfair Labour Practices Act of 1972, but as this Act is applicable only to Maharashtra, there is the need for making such legislation applicable to the whole country.

- d) Intensification of workers' education for building up internal union leadership and making workers more knowledgeable and conscious about their rights and obligations. This may help to depoliticise unions and also reduce union rivalry.
- e) The idea of one union for one plant or one industry should be popularised and made a reality.
- f) The Government should declare its policy to allow and encourage the parties to settle their conflicts and disputes by bipartite consultation and negotiation consistent with public safety and interest of the society in general.

All the above recommendations of the commission are under active consideration of the Government. In fact, the recommendation regarding prohibition and penalisation of unfair labour practices has already been implemented by amending the Industrial Disputes Act (of 1947) in 1982 and the amendment has been given effect to. The Government has already introduced a bill for amending the Trade Unions Act, 1926, in the Parliament. If passed into law it will give effect to some more recommendations of the commission for improving the working of trade unions and this may help further promotion of collective bargaining in the country.

21.8 SUMMARY

In this unit an attempt has been made to explain the concept of collective bargaining and its importance in regulating employment relations and securing harmony in industrial relations through bipartite agreements. The process of negotiation, the preparation and skills required for effective bargaining have also been considered. While in most industrialised countries of the West, it has been accepted not only as a graceful method but also as the most peaceful and productive method of managing industrial relations, in countries like India it has not made much headway due to

lack of necessary infrastructure and prerequisites. These prerequisites and other factors inhibiting the progress of collective bargaining in India have been explained. The recommendations of the National Commission on Labour to encourage collective bargaining in India have also been mentioned.

Notwithstanding the absence of prerequisites and the presence of several inhibiting factors, collective bargaining in India has become popular as an effective instrument in structuring industrial relations and the maintenance of harmony.

21.9 SELF-ASSESSMENT TEST

- 1 What is Collective Bargaining? Why is it regarded as the best method of determining employer and employee relations?
- 2 Discuss the prerequisites for the success of collective bargaining.
- 3 Discuss the process of negotiation and the skills and preparations required for effective bargaining outcomes.
- 4 Why has collective bargaining not made as much headway in India as in some other countries? What steps will you suggest for its promotion in the light of the recommendations of the National Commission on Labour?

Answer the above questions from your memory, each covering not more than two pages, so that you may know that you have understood the main points contained in the unit.

21.10 FURTHER READINGS

- Chamberlain, N.W. and J.W. Kuhn, 1965. *Collective Bargaining*, McGraw Hill; New York.
- Flanders, A (ed.), 1969. *Collective Bargaining*, Penguin: Harmondsworth.
- Ramaswamy E.A., and Uma Ramaswamy, 1981. *Industry and Labour*, Oxford University Press: New Delhi.

BRAOU

UNIT 22 INDUSTRIAL CONFLICT RESOLUTION

Objectives

Industrial conflict is inevitable. It is the Management's responsibility to deal with it adequately and resolve it. The purpose of this unit is to:

- examine the causes and manifestations of conflict,
- analyse the trends in industrial disputes in India,
- examine the machinery for resolving conflict, and
- appreciate what constitutes good industrial relations practices.

Structure

- 22.1 Industrial Conflict
- 22.2 Industrial Disputes
- 22.3 Industrial Relations Machinery
- 22.4 Consultative Machinery
- 22.5 Managing for Good Industrial Relations
- 22.6 Summary
- 22.7 Self-assessment Test
- 22.8 Further Readings

22.1 INDUSTRIAL CONFLICT

Conflict is endemic to industrial society. Notwithstanding the advantages of labour-management cooperation, the interests of labour and management seem to be opposed to each other in a large measure. Conflict may either be sustained and organised or sporadic and unorganised. It may manifest itself actively in strike or go slow which are calculated attempts to apply pressure. The passive expression of conflict can lead to withdrawal of effort resulting in lower productivity, absenteeism, unpunctuality and strike, considered to be the weapon of last resort, is the proverbial tip of the iceberg. Below this tip lies the entire range of relationships between labour and management in which is embedded the divergence of interests between them. Chart I indicates the various manifestations of industrial conflict.

Among the various manifestations of industrial conflict, strike is the most dramatic expression. As Gouldner observes, "A strike is a social phenomenon of enormous complexity, which, in its totality, is not susceptible to complete description, let alone explanation". There can be enormous variations in the reasons for strikes as well as their manifestations. Smelser has succinctly summarised the different accounts for the occurrence of strikes under five heads:

The Economic Advantage School: It maintains that labour unions are business and attempts to maximise the wage gains of their members.

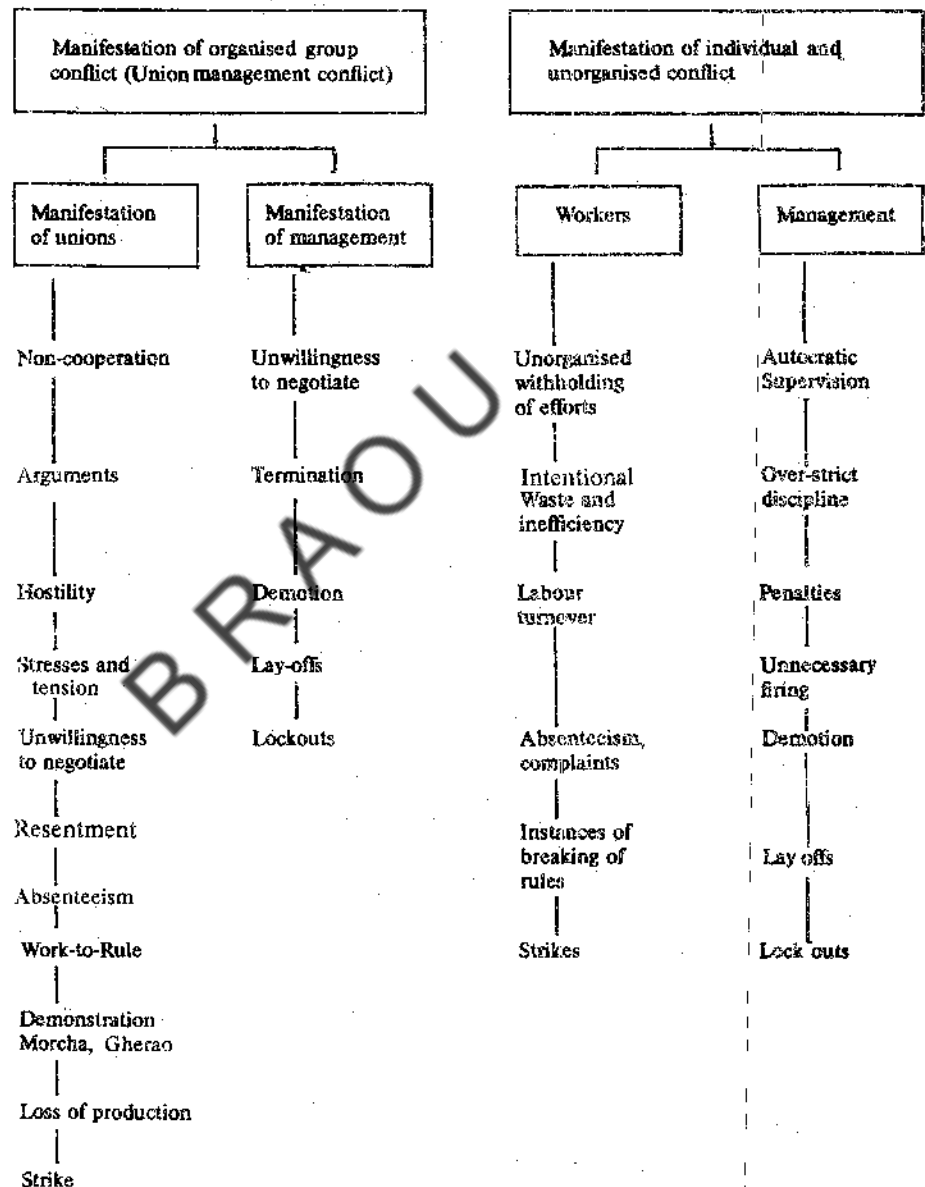
The Job Security School: A variant of the economic advantage school, it focuses on the desired of the workmen to protect the conditions of their work in the long run rather than on short-term wage gains.

The Class Warfare (or Marxist) School: It attributes worker unrest to the fact that the working classes suffer from systematic exploitation at the hands of capitalists.

The Political School: It emphasises the conflict between unions and management over the recognition of unions and collective bargaining, jurisdictional disputes among unions, internal leadership rivalries and influence of communism on unions.

The Human Relations School: It is associated with the industrial sociology of Elton Mayo and his associates. Broadly speaking, this school traces the basic dissatisfaction among labourers to the breakdown of primary groups among workers and lack of communication and understanding between management and workers.

Chart 1
Manifestations of Conflict



Source: Kornhauser, A. Dubin, R. and Ross, A.M (Ed.), *Industrial Conflict*, McGraw Hill, New York, 1954, p. 14

Industrial conflict has been a source of major concern because of the disruption it causes to planned economic development in a country like ours and the losses involved for everyone concerned i.e., workers, owners and the public. The hidden costs of strikes and the effect on industries with forward and backward linkages are difficult to measure. Conflict is inevitable in industrial society. Conflict *per se* is not unhealthy or dysfunctional. Absence of conflict or strike *per se* may not always mean that everything is as it should be. In the unorganised sector, it is said that the absence of strike could be a measure of the misery of the workers. Industrial conflict is a fact of industrial society and it should be handled carefully to ensure the viability of the organisation, to remove the discontent among workmen and to avoid hardship to the society.

In the following sections, we will analyse the incidence of industrial disputes (strikes and lock-outs) and the machinery and methods available to deal with them.

22.2 INDUSTRIAL DISPUTES

The average number of mandays lost per year in industrial disputes rose from 20 million in 1960s to 40 million in 1980s (after giving allowance for the Bombay Textile strike in 1982 when 88 million mandays were lost of which 44 million were lost due to Bombay Textile strike alone). The Number of mandays lost was least during emergency, but the simmering discontent erupted in 1979 when 43 million mandays were lost against an average of 20 million for the preceding four years (Table I).

Time loss per lock-out was much higher than that for strikes during 1975-81 (Table II). The relative share of mandays lost due to lock-outs had been quite significant in the recent past, except for the year 1979. The recent amendments (1982 and 1984) to the Industrial Disputes Act, however, make it extremely difficult for employers to declare lock-out or lay off.

Of the 25,711 industrial disputes that occurred during 1974-83, 72.27 per cent were in the private sector. Eighteen million employees were involved in the industrial disputes during the decade. The ratio of workers involved in industrial disputes in public and private sectors was 45:55. If weightage is given to employment in public and private sectors, the ratio works out more favourably to the public sector. However, it is felt that the general tendency in most public enterprises is to avoid strikes at any cost, while in the private sector, managements usually show greater preparedness for a show down. The short tenure of the chief executives in the public sector, it is apprehended, lure the management to be short-sighted and reach agreements without necessarily solving problems.

Nearly 363 million mandays were lost during the decade 1974-83. The ratio of mandays lost in public and private sectors was 18:82. Usually industrial disputes are settled more quickly in the public sector than in the private sector because of pressure from the public (in the case of public utilities, etc.) and the Government.

In the manufacturing sector, the number of mandays lost per 1,000 employees was as follows.

Year	Public Sector	Private Sector	All Sectors
1975	392	4,401	3,615
1976	404	2,524	2,102
1977	711	4,191	3,469
1978	936	4,559	3,309
1979	3,633	6,897	6,158

Causes: 35 to 40 per cent of the industrial disputes during the last 20 years have been due to issues related to wages, allowances and bonus. During the last 12 years (1971-82) in over 50 per cent of the industrial disputes the workers were able to have their demands met fully or partially. One out of four strikes lasted for less than a day. About one-third of the industrial disputes lasted for more than 10 days.

Regional Variations: The percentage share of different States and Union Territories in the mandays lost due to industrial disputes during 1979 to 1983 is shown in Table VI. Three states, i.e., Maharashtra, West Bengal and Tamil Nadu, accounted for the loss of 67 per cent of the total mandays lost due to industrial disputes in the country during 1979, 61 per cent in 1980, 49 per cent in 1981, 85 per cent in 1982 and 81 per cent in 1983. In 1981, Andhra Pradesh and Karnataka together accounted for over 24 per cent in contrast to their share of less than 7 per cent in 1980 and 3.25 per cent in 1982. During the five-year period it is seen that these three states accounted for three-fourths to four-fifths of the total mandays lost in each year with the exception of 1981. Further analysis is made of mandays lost in strikes and lock-outs in these three states, for the period 1979 to 1982 (Table VII). Such break-up was not available for 1983. The share of mandays lost due to lock-outs in the total mandays lost due to industrial disputes in the country increased from 18 per cent in 1979 to 45 per cent in 1980 and decreased to 42 per cent in 1981, and further to 30 per cent in 1982. If allowance is made for the Bombay Textile strike, the corresponding share works out to 65 per cent. Thus, it is seen that in 1980s increasingly more number of mandays are being lost due to lock-outs than due to strike. The 1984 amendments to Industrial Disputes Act, however, rendered the declaration of lock-out less easier than before. The share of mandays lost in lock-outs in the total mandays lost due to industrial disputes in West Bengal rose steeply from 17 per cent in 1979 to 71 per cent in 1980 and the trend continued in the next two years when the corresponding share rose to 88 per cent and 97 per cent in 1981 and 1982 respectively. In the case of Maharashtra, the share of mandays lost due to lock-outs in the total mandays lost due to industrial disputes in the State increased from 41 to 52 per cent between 1979 and 1980 but in the next two years it fell sharply to 29 per cent and 3 per cent. In Tamil Nadu the corresponding share was around 25 per cent during 1980-82.

The prevailing notion among many is that most of the lock-outs are either preceded or succeeded by strikes. Data presented in Table VII, however, testifies that this is more an exception in some states in some years than a general rule. The share of mandays lost due to lock-outs which were preceded or succeeded by strikes in the total number of mandays lost due to lock-outs was 26 in 1979 and declined gradually to 14 per cent in 1980, 8 per cent in 1981 and marginally rose to 10 per cent in 1982 (Table VII). What is even more significant is that no lock-out in West Bengal was preceded or succeeded by strikes in 1981 and 1982. Even in the earlier two years the share of mandays lost due to lock-outs (7 per cent in 1979 and 1980) preceded or succeeded by strikes was much less than the corresponding all-India average (26 per cent and 14 per cent in 1979 and 1980 respectively). That this should be the case in a State ruled by the Left-Front Government with a pro-labour stance is significant. In Maharashtra and Tamil Nadu, the other two major strike-prone States, the situation is quite different. It is so erratic that the corresponding share varied between 13 per cent and 78 per cent in Maharashtra and 6 per cent and 76 per cent in Tamil Nadu during the four-year period of 1979-82. Significantly the corresponding share was higher in Gujarat, a state normally considered to enjoy a relatively peaceful industrial relations climate among the industrialised States in the country.

The foregoing analyses is based on official statistics which have certain limitations. Usually the figures are depressed because the information is incomplete in respect of certain State, certain unorganised sector activities and the exclusion of industrial disputes involving less than 10 employees and industrial disputes due to political and sympathetic factors, input shortages, infrastructural bottlenecks, etc. The classification of the causes of industrial disputes has its limitations because the apparent causes may not be the real ones and in some cases the causes may be several.

An overview of the analysis of official statistics on industrial disputes nevertheless points to a steep rise, with fluctuations in intermittent years. The real incidence of industrial disputes is certainly higher than reported here. In recent years overt industrial action and industrial disputes due to external and extraneous reasons such as political and sympathetic factors are increasing.

Table I
Industrial Disputes Classified by Strikes and Lockouts in India (1961-1983)

Year	No. of Disputes			No. of Workers Involved			No. of Mandays lost ('000s)		
	Strikes	Lockouts	Total	Strikes	Lockouts	Total	Strikes	Lockouts	Total
1961	1,240	117	1,357	4,32,336	79,524	6,11,860	1,969	1,950	4,919
1966	2,353	202	2,556	12,62,224	1,47,832	14,10,056	10,377	3,469	13,846
1967	2,433	302	2,815	13,39,617	1,50,729	14,90,346	10,565	6,583	17,148
1968	2,451	325	2,776	14,64,992	2,04,302	16,69,294	11,078	6,166	17,244
1969	2,334	283	2,627	16,86,943	1,39,923	18,26,866	15,477	3,571	19,048
1970	2,598	291	2,889	15,51,530	2,76,222	18,27,752	14,740	5,814	20,563
1971	2,478	274	2,752	14,76,203	1,38,937	16,15,140	11,203	4,743	16,546
1972	2,857	386	3,243	14,74,656	2,62,081	17,30,737	13,749	6,796	20,544
1973	2,958	412	3,370	23,58,206	1,87,396	25,45,602	13,862	6,764	20,626
1974	2,510	428	2,938	27,09,838	1,44,785	28,54,623	33,643	6,619	40,262
1975	1,644	299	1,943	10,32,609	1,10,817	11,43,326	16,706	5,195	21,901
1976	1,241	218	1,459	5,50,477	1,86,497	7,36,974	2,799	9,947	12,746
1977	2,691	426	3,117	19,12,427	2,80,788	21,93,215	13,410	11,910	25,320
1978	2,762	425	3,187	16,90,090	2,25,513	19,15,603	15,423	12,917	28,340
1979	2,708	340	3,048	27,14,318	1,59,257	28,73,575	35,804	8,050	43,854
1980	2,501	355	2,856	16,61,000	2,39,000	19,00,000	12,018	9,907	21,945
1981	2,245	344	2,589	17,61,000	3,27,000	15,88,000	21,208	15,375	36,583
1982	2,024	454	2,478	12,37,000	2,78,000	15,15,000	65,918	22,502	88,440
1983	1,382	364	1,746	9,76,000	2,14,000	11,90,000	20,972	16,174	37,146

Source: 1) Indian Labour Statistics, 1979, Labour Bureau, Simla.
2) Pocket Book of Labour Statistics, 1984, Labour Bureau, Simla.

Table II
Time Loss (Mandays Lost) Due to Strikes and Lockouts

Items	1975	1976	1977	1978	1979	1980
A Total time lost due to						
Strikes ('000)	16,706	2,799	13,410	15,423	35,804	12,017
Lockouts ('000)	5,195	9,947	11,909	12,917	8,050	9,907
Strikes & Lockouts ('000)	21,901	12,746	25,320	28,340	43,854	21,925
B Time lost per Strike	10,162	2,255	4,983	5,584	13,221	4,805
C Percentage share in time lost of						
Strike	76	22	53	54	82	55
Lockout	24	78	47	46	18	45
Strikes & Lockouts	100	100	100	100	100	100

Table III
Industrial Disputes During 1974-83

<i>Item</i>	<i>Public Sector</i>	<i>Private Sector</i>	<i>Total</i>
No. of disputes resulting in work stoppages	7,130 (27.73%)	18,581 (72.27%)	25,711
No. of workers involved (in lakhs)	81.5 (45%)	99.06 (55%)	180.06
No. of mandays (in lakhs)	64.76 (17.9%)	297.96 (82%)	362.72

Table IV(a)
Percentage Distribution of Industrial Disputes 1971-81
By Causes

<i>Causes</i>	<i>1971</i>	<i>1972</i>	<i>1973</i>	<i>1974</i>	<i>1975</i>	<i>1976</i>	<i>1977</i>	<i>1978</i>	<i>1979</i>	<i>1980</i>	<i>1981</i>
Wages & Allowances	34.3	31.8	34.1	36.1	32.0	23.4	31.2	28.7	31.9	28.5	38.1
Bonus	14.1	8.4	10.3	6.2	8.0	13.3	15.2	9.9	8.8	7.3	8.0
Personnel and Retrenchment	23.0	24.2	24.2	26.5	29.8	29.9	23.0	24.2	21.7	24.4	21.2
Leave and Hours of work	1.4	11.4	1.5	1.6	2.3	2.9	2.2	2.0	2.4	2.2	1.7
Indiscipline and Violence	3.6	5.1	5.7	6.2	9.9	9.9	8.8	10.7	9.1	8.8	9.4
Others	23.6	29.1	24.1	23.4	19.0	20.1	19.6	24.5	26.1	23.6	31.6

Relates only to those cases for which relevant information was available.

Source: Indian Labour Year Book, 1984 (Labour Bureau, Simla).

Table IV(b)
Percentage Distribution of Industrial Disputes 1971-81
Results

<i>Results</i>	<i>1971</i>	<i>1972</i>	<i>1973</i>	<i>1974</i>	<i>1975</i>	<i>1976</i>	<i>1977</i>	<i>1978</i>	<i>1979</i>	<i>1980</i>	<i>1981</i>	<i>1982</i>
Successful	26.4	29.8	36.6	31.5	23.7	20.5	29.7	33.4	28.1	27.1	28.5	24.5
Partially Successful	23.4	23.9	20.8	21.1	26.1	27.1	27.6	23.9	23.7	23.2	26.7	23.2
Unsuccessful	34.4	31.9	33.1	38.5	40.8	44.1	33.0	37.8	44.3	44.6	40.5	47.6
Indefinite	15.8	14.4	9.5	8.9	9.4	8.3	9.7	4.9	3.9	4.5	4.3	1.7
Total No. of Causes*	2,512	2,830	2,870	2,433	1,642	1,178	2,352	2,481	2,260	2,093	1,709	1,684

N.B. Results are based on the extent to which workers' demands are met. Thus 'Unsuccessful' means that workers' demands were not accepted. 'Indefinite' means that no final decision was reached at the time of resumption of work.

*Relates to those cases only for which relevant information was available.

Source: Indian Labour Year Book, 1984 (Labour Bureau, Simla).

Table IV(c)
Percentage Distribution of Industrial Disputes 1971-81
By Duration

<i>Duration</i>	<i>1971</i>	<i>1972</i>	<i>1973</i>	<i>1974</i>	<i>1975</i>	<i>1976</i>	<i>1977</i>	<i>1978</i>	<i>1979</i>	<i>1980</i>	<i>1981</i>	<i>1982</i>
A day or less	25.4	26.2	24.7	21.8	22.4	29.6	24.9	24.8	24.4	25.6	23.0	23.1
More than a day and upto 5 days	25.1	24.2	25.1	22.9	23.0	30.2	25.1	23.8	25.3	24.0	29.3	23.2
More than 5 days and upto 10 days	14.8	16.6	12.2	13.5	13.8	13.9	14.5	13.5	13.4	13.5	13.0	11.4
More than 10 days and upto 20 days	15.3	14.5	13.4	13.4	11.0	8.5	12.4	12.5	12.4	13.4	12.0	11.9
More than 20 days and upto 30 days	5.8	6.7	7.5	8.1	6.2	5.8	7.5	6.7	6.2	6.1	8.7	6.1
More than 30 days	13.6	11.8	16.7	20.3	23.4	12.0	15.0	18.6	17.8	18.1	22.0	24.3
Total No. of Cases*	2,670	3,056	3,116	2,721	1,863	1,373	2,908	2,947	2,783	2,413	2,281	2,186

*Relates only to those cases for which relevant information was available.

Source : Indian Labour Year Book, 1984 (Labour Bureau, Simla)

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Table V
Percentage Share of States/Union Territories in
Total Time Loss (1979-83)

1000 Mandays

Sl. No.	State/Union Territory	1979	1980	1981	1982	1983
1	Andhra Pradesh	1.51	2.52	11.91	2.70	2.46
2	Assam	0.70	0.38	0.16	+	0.02
3	Bihar	3.90	4.66	4.14	1.90	2.04
4	Gujarat	1.24	4.77	1.80	1.12	1.43
5	Haryana	1.96	1.65	1.22	0.23	1.47
6	Himachal Pradesh	0.03	0.09	0.10	-	-
7	Jammu & Kashmir	-	0.30	0.03	0.05	+
8	Karnataka	2.16	4.47	12.38	0.54	0.77
9	Kerala	8.60	5.70	6.11	3.15	2.97
10	Madhya Pradesh	2.74	3.79	3.90	0.42	1.78
11	Maharashtra	6.79	16.03	11.17	60.68	42.56
12	Manipur	-	-	0.16	0.02	0.01
13	Meghalaya	-	-	0.01	0.01	-
14	Nagaland	0.01	-	-	-	-
15	Orissa	0.21	1.18	0.95	0.25	0.13
16	Punjab	0.17	1.35	0.22	2.58	0.26
17	Rajasthan	0.29	2.49	2.26	0.56	1.03
18	Sikkim	0.01	0.01	-	-	-
19	Tamil Nadu	19.17	16.92	11.36	2.68	4.00
20	Tripura	0.01	-	0.14	-	-
21	Uttar Pradesh	2.92	3.90	4.03	0.87	1.17
22	West Bengal	41.20	28.45	26.35	21.62	37.03
23	Andaman & Nicobar Islands	0.03	0.11	-	-	-
24	Arunachal Pradesh	-	0.01	0.01	+	+
25	Chandigarh	0.04	0.01	0.01	+	+
26	Dadra & Nagar Haveli	-	-	-	-	-
27	Delhi	5.57	0.38	0.20	0.23	0.72
28	Goa	0.36	0.45	0.85	0.10	0.15
29	Lakshadweep	-	-	-	-	-
30	Mizoram	-	-	-	-	-
31	Pondicherry	1.01	0.38	0.45	0.18	-
Total		43,854	21,925	36,585	88,440	37,146

+ = Less than 0.005

Table VI

Time loss due to lock-out in the three major strike-prone
States in India during 1979-82

(In lakh Mandays)

<i>Mandays lost due to</i>	<i>1979</i>	<i>1980</i>	<i>1981</i>	<i>1982</i>
All India				
Strikes	350.0 (82)	120.2 (55)	212.1 (58)	521.1 (70)
Lock-outs	80.5 (18)	99.1 (45)	153.7 (42)	225.0 (30)
Total	438.5	219.3	365.8	746.1
West Bengal				
Strikes	149.8 (83)	18.1 (29)	11.3 (12)	5.3 (3)
Lock-outs	30.9 (17)	44.3 (71)	85.0 (88)	156.0 (97)
Total	180.6	62.4	96.4	161.3
Maharashtra				
Strikes	17.5 (59)	16.8 (48)	29.0 (71)	440.1 (97)
Lock-outs	12.3 (41)	18.3 (52)	11.9 (29)	12.7 (3)
Total	29.8	35.1	40.9	452.8
Tamil Nadu				
Strikes	78.0 (93)	27.8 (75)	30.0 (72)	15.5 (77)
Lock-outs	6.0 (7)	9.2 (25)	11.6 (28)	4.5 (23)
Total	84.01	37.1	41.6	20.0

Table VII

Time loss due to lock-outs which were preceded or
succeeded by Strikes (1979-82)

(In '000 Mandays)

<i>All India/State</i>	<i>1979</i>	<i>1980</i>	<i>1981</i>	<i>1982</i>
All India	2,075 (26)	1,392 (14)	1,216 (8)	2,274 (10)
Bihar	151 (20)	353 (57)	28 (12)	364 (40)
Gujarat	32 (25)	178 (51)	162 (51)	399 (82)
Maharashtra	961 (78)	233 (13)	363 (30)	595 (47)
Tamil Nadu	168 (28)	124 (13)	73 (6)	345 (76)
Uttar Pradesh	20 (3)	10 (4)	120 (18)	251 (88)
West Bengal	216 (7)	298 (7)	—	—

22.3 INDUSTRIAL RELATIONS MACHINERY

When the employer and the unions cannot bilaterally come to an agreement, the Industrial Disputes Act, 1947 provides for conflict resolution through conciliation, arbitration and adjudication. The act prescribed time limits for issuing strike or lockout notice and for completing conciliation process. But often we notice wildcat strikes without any prior notice and seldom has a conciliation process been completed within 14 days. The recent amendments to the Industrial Disputes Act make declaration of lockout, closure or lay-off very difficult.

The conciliator's role is often compared with that of a marriage-broker. He can only convey and persuade but not decide. Both the employers and unions have generally voiced the feeling that the existing machinery is inadequate and under-equipped whether it is with regard to the qualifications, training and experience of conciliation officers or their workload and physical facilities to carry out the task assigned to them. A senior police officer recently remarked that "the conciliation officers who are trained to resolve disputes have raised their hand often with a sense of despair and helplessness while the police who are not trained for the job have often been called in to resolve conflict which they did with distinction not infrequently". The independence of the conciliation officers has also been questioned on occasions.

That conciliation often ends up as a failure is common knowledge. If conciliation brings an agreement between the contending parties and is signed in the presence of the conciliation officer by the concerned parties, the contents of the agreement become binding on both the parties. When conciliation fails, the matter can be referred to arbitration if both parties agree to abide by the decision of an impartial third party. It is unusual for parties who cannot compromise through conciliation to agree to arbitration.

The usual course open to the conciliator is then to submit a failure report to the government. The government may, at its discretion, refer a dispute to adjudication. The adjudicator's verdict is binding on both the parties. The Industrial Disputes Act provides for adjudication through labour courts (in case of personnel disputes over matter such as dismissal and disciplinary action involving individual workers), labour tribunal (for matters such as wages, bonus, rationalisation, etc.) and national tribunals (if the dispute has a wider significance or if it concerns establishments in more than one State). The significant point to note here is that it is not open for either or both the parties to bring a dispute before a labour court or tribunal. The matter is left entirely to the discretion of the government. The government need not give reasons for referring or not referring a dispute for adjudication. And, even the Supreme Court has no jurisdiction over this matter. At best it can persuade the government, but not compel it to refer the matter for adjudication. This is indeed a bone of contention and concern is expressed about the arbitrary nature of this provision in the Industrial Disputes Act which gives considerable leverage to manipulate with the power politics of unions and union-management relations at a workplace.

Table VII furnishes data about the industrial disputes referred to the Industrial Relations Machinery (both Central and State spheres) failure reports received, disputes referred for adjudication, arbitration and awards in favour or against the workers during the period 1971-82. It must be noted that the data is incomplete in the sense that in no year did all the States and Union Territories send all the information. In some years, as many as 12 States and Union Territories did not furnish information to the Union Ministry of Labour, as can be seen from the latter's annual reports for the years covered here. The magnitude of the number of cases referred and dealt at different levels must have been much higher than those indicated in the Table. For instance, it is inconceivable that the number of disputes taken for conciliation should come down from 47,788 in 1980 to 17,133 in 1981. Even so it is presumed that the grossly depressed statistics nevertheless indicate certain trends in the relative picture as to percentages of cases failed at conciliation and the share of disputes referred for adjudication and arbitration.

The number of disputes taken for conciliation varied between 17,133 (in 1981) to 67,456 (in 1979) during 1979-82. In view of the limitations explained in the previous

paragraphs, perhaps the relative figures present a better picture than the absolute ones.

During the period 1971-82, 28 to 36 per cent of the disputes referred for conciliation failed. The overall trend reveals a marginal increase in the incidence of failure in recent years. About 60 to 90 per cent of the cases were referred to adjudication during the period. Barely one per cent of the cases were referred for arbitration throughout the period. The existing machinery for the investigation and settlement of industrial disputes, as provided under the Industrial Disputes Act, 1947, is inadequate and needs to be strengthened as indicated below:

Table VIII

Industrial Disputes Referred for Conciliation, Adjudication and Arbitration during 1971-1982

Year	Taken for conciliation	Reported to have failed at conciliation	Referred for adjudication	Referred for arbitration
1971	38,450	8,962 (23.3%)	6,016 (68.2%)	280 (3.1%)
1972	29,279	9,520 (32.5%)	5,918 (62.1%)	124 (1.3%)
1973	45,293	11,582 (25.5%)	8,519 (73.5%)	93 (0.8%)
1974	48,123	12,182 (25.3%)	7,804 (64.0%)	109 (0.8%)
1975	46,452	13,488 (29.0%)	9,025 (66.9%)	152 (1.1%)
1976	54,965	15,829 (28.8%)	9,173 (57.9%)	90 (1.0%)
1977	38,918	12,929 (33.2%)	8,615 (66.6%)	117 (1.4%)
1978	42,978	14,713 (34.2%)	10,472 (71.2%)	87 (0.8%)
1979	67,456	20,607 (30.6%)	11,707 (88.5%)	66 (0.6%)
1980	47,788	15,728 (32.9%)	13,923 (88.5%)	58 (0.4%)
1981	17,133	5,959 (34.8%)	4,833 (81.1%)	21 (0.4%)
1982	46,343	16,889 (36.4%)	13,054 (77.2%)	100 (0.7%)

Source: Indian Labour Year Book, 1984 (Labour Bureau, Simla)

Trained and experienced officers, who have been exposed to the working problems of the industry should man the conciliation machinery. The conciliation machinery may be made independent of the government's control and influence.

The adjudication machinery provided under the Industrial Disputes Act be substituted by setting up Industrial Relation Commissions (IRCs) both at the Central and the State level, broadly on the lines suggested by the National Commission on Labour with suitable modifications. The IRCs should also oversee the conciliation machinery.

Arbitration machinery provided under Section 10(A) of the Industrial Disputes Act be increasingly made use of by employers, trade unions and the workmen. Even where financial demands are involved, arbitration machinery may be tried on an experimental basis. The arbitrator or panel of arbitrators so chosen for such purposes be mutually acceptable to both the union and the management. The Government and the trade unions can jointly prepare a panel of experienced arbitrators at the National and the State levels from whom the employer can choose.

The Government should refrain from actively intervening in industrial disputes except when the disputes resulting in prolonged work-stoppages have wider impact on the economy.

22.4 CONSULTATIVE MACHINERY

Apart from the industrial relations machinery discussed above, the government has taken the initiative to constitute a consultative machinery. The consultative machinery now exists at every level, at the level of the undertaking, industry, state and nation. It aims at bringing the parties together for mutual settlement of differences in a spirit of cooperation and goodwill. At the undertaking level, the machinery is bipartite in character. These include the Works Committees (the

Industrial Disputes Act, 1947 stipulates that Works Committees are to be set up in units employing 100 or more persons) and Joint Management Councils (since 1958, following the thrust laid down in the Industrial Policy Resolution, 1956); at the industry level there are Wage Boards and Industrial Committees; at the State level there are Labour Advisory Boards and at the national level there are the Indian Labour Conference and the Standing Labour Committee. The machinery at State and Central level is advisory in nature and tripartite (representing government, labour and management) in composition. Important legislative proposals are discussed and recommended by the Indian Labour Conference and Standing Labour Committees. The 16th session of the Indian Labour Conference held in 1958 displayed a great deal of initiative and enthusiasm and evolved a Model Grievance Procedure, a Code of Discipline and adopted an Industrial Truce Resolution stressing the need for settling industrial disputes through voluntary arbitration. Subsequently till 1977 the Conference was not held. The tripartite labour conference has since been revived but needs to be continued on a regular basis. The Industrial Amendment Bill of 1982 listed the unfair labour practices as following:

By Employer

- Threatening workmen with discharge or dismissal if they join a trade union or threatening a closure or lockout if a trade union is organised.
- Granting a wage increase to workmen at a crucial period of trade union organisation with a view to undermining the efforts of the trade union.
- To establish an employer's sponsored trade union.
- To encourage or discourage membership in any trade union by discriminating against any workman.
- To discourage or dismiss workmen by way of victimisation due to the exercise of employer's rights, or falsely implicating a workman in a criminal case for misconduct of a minor or technical nature, etc.

By Workmen or Trade Union

- To force workmen to become members of a trade union.
- To prevent a recognised union to bargain collectively in good faith with an employer.
- To stage, encourage, coerce actions such as wilful go-slow, and to stage demonstrations at the residence of the employers or management staff members.

22.5 MANAGING FOR GOOD INDUSTRIAL RELATIONS

The reactive approaches of the 'actors', both employers and employees and their unions in a 'tit for tat' spirit would breed zero-sum games even where there was an opportunity for both the parties to come out winners, if only they had the wisdom and foresight to accommodate, compromise and collaborate rather than confront. If the workmen stay away from work unauthorisedly or resort to go-slow and work-to-rule, managers would threaten to keep the workmen out of work by suspension, dismissal, discharge, or lay-off and retrenchment. If the workers have grievances against management, the latter too has grievances against workers about their indiscipline and disregard for norms. If workers are accused of strike, managers are held to be guilty of making the units sick. The buck may not stop, but this is a game where everyone loses. Is it not time that we review the situation? Managements get the unions they deserve. If the personnel function is weak and does not take care of the genuine needs and expectations of the employees in an organisation, that organisation will have more industrial relations problems. Some organisations have handled their human resources function so well that the unions could survive without having to fight with the management. Efficiency in industrial relations function was measured not in terms of strikes and disputes handled, but in terms of the contribution made to make conditions for conflict redundant. Here are ten golden rules for good industrial relations:

- 1 Management should have harmony as a goal. The foregoing analysis of the official statistics on industrial disputes in the manufacturing sector for the period 1974-83 reveals that during the 10-year period, on an average, 50 per cent of the

strikes in India were either fully or partially successful from the union point of view. This raises the question as to whether the management is genuinely interested in harmony. We often hear employees and trade union leaders accusing management of engineering strikes, be they in the private or the public sector, to survive recessionary market situation or a weak sales position.

- 2 Having defined harmony as the goal, managements should take the initiative to pursue it vigorously. Harmony in industrial relations may be difficult, but not impossible. In industry, the relationship between employee and employer is contractual. So there are mutual expectations and obligations. Employees' rights are employers' obligations and vice-versa. Hence, conflict may be inherent. It is the responsibility of the management to take the initiative in all facets of industrial relations to mitigate conflict. Employees lose freedom when they join an organisation. The need for freedom would be dormant so long as they get a 'just' treatment. If they think that they are given a 'raw deal', real or imaginary the conflict surfaces; it may even escalate if it is not promptly dealt with. If employees' perceptions about 'raw deal' or 'lack of fair play' are true, management must change its ways. If employees' perceptions are imaginary management must take the initiative not only to be fair but also appear to be fair and seek to change the perceptions.
- 3 Full acceptance by management of its accountability is necessary in industrial relations in the same way as accountability is accepted for the quality of product or marketing strategy.
- 4 A distinction, based on the concept of accountability, between the functions of union and functions of management is necessary.
- 5 Setting up norms and following them up with exemplary standards and transparent honesty is imperative. If organisations are to have order and to function in harmony with a sense of purpose and an achievement orientation, there is need for norms that are just and humane and these norms will gain acceptance and respect if they emerge from a consensus among the concerned rather than being imposed from above.
- 6 Uniform applicability of the policy and procedures, after considering the varying local conditions in a multi-plan situation is mandatory. Every organisation and manager is faced with problems resulting from past practices. Operational experiences result in a set of 'past' practices, which when accumulated become part of the culture of the organisation. These unwritten but real policies exist apart from contracts and policy manuals and owe their origin to the countless informal decisions and actions taken by management. Hurried or causal responses to seemingly unimportant situations and employee requests set precedents that make a dent on the policy. Granting a request to one employee and denying it to another will lead to charge of favouritism, nepotism, etc.
- 7 There is need for bargaining in good faith with the majority union of the employees on matters concerning compensation and working conditions and institutionalise joint consultation on all other matters affecting the employees. Union shopping practices would be costly in the long-run though it may appear that there is short term pay-off because weak unions create more problems than strong ones. The management should neither seek to exploit the weaknesses of the union movement in the organisation nor submit meekly to the coercive tactics of the union. Bargaining outcomes should be viewed in a spirit of partnership and give-and-take than in an adversarial win-lose mood. As for the need to institutionalise joint consultation, we may recall what Field Marshall Montgomery said: "Even a man regimented in every sense of the term would carry out his duties with more vigour and better spirit if treated as someone who really mattered and who understood the overall importance of the project in which he was involved".
- 8 Maintain direct two-way flow of communication between management and employees. The relationship between employees and organisation is primary and that of employees and the union in which they may become members at a later stage is secondary. If employees are alienated from the organisation and begin to demonstrate their allegiance to the union, the management should share the blame. The secondary relationships become important and valued when the

primary relationships turn sour. In such an event, whether real or imaginary, management should show concern, not apathy.

One of the main reasons for the alienation is the breakdown in communications. Managements should establish rapport with the rank and file rather than merely with the union leadership.

- 9 There is need to maintain a systematic data base on all aspects concerning human resource management to ensure objectivity and transparency in managerial actions that help bridge the gap between employees and management in terms of credibility and confidence through better communication of information and promotion on knowledge about the organisation.
- 10 Respect for and acceptance of the industrial relations function in an enterprise depends on the quality and competence of the industrial relations professionals and their involvement in strategic planning with commensurate responsibility, authority and accountability. If there is lack of respect it may be due to lack of expertise. If there is lack of acceptance, it may be because they assume the union to be their adversary and adopt one-upmanship. If there is lack of involvement in strategic planning it may be because they have failed to convince the top management about their intrinsic worth in a proactive role. If the union appears to be doing its job better than managers in managing in an organisation, one may conclude that union leaders' commitment to the cause of the union is greater than managers' commitment to the cause of management.

22.6 SUMMARY

We have observed that conflict is endemic to industrial society. Among various manifestations of conflict, strike is the most dramatic expression. There are five schools of thought that seek to explain the rationale for strikes: the economic advantage school; the job security school; the class warfare (Marxist) school; the political school; and the human relations school. We have analysed the trends in the incidence of strikes and lockouts during the 1970s and the early 1980s with reference to the number of disputes, number of mandays lost, causes, results and duration. The original variations in the incidence of industrial disputes has also been studied. We have examined the machinery for resolving disputes under the Industrial Disputes Act as also the consultative machinery available for dealing with conflict. We have noted what constitute unfair labour practices and what constitute good industrial relations practices.

22.7 SELF-ASSESSMENT TEST

- 1 Visit two organisations in your neighbourhood: one where union-management relations are believed to be cordial and one where the relations are strained. Ask a few managers and union leaders about the factors contributing to relative harmony in industrial relations and how it became possible to accomplish it. Visit the other organisation to know whether the factors you noted in the first organisation are missing. Analyse the difference between the two and examine the role played by management and union in both the organisations.
- 2 Study the statistics relating to industrial disputes in your organisation for the last 10 years. See whether you find a shift in the causes and manifestation of conflict. Share the data with your peers and a few union and management representatives and discuss whether and what changes occurred during the period to warrant the changes in causes and manifestation of conflict in the organisation.
- 3 Refer to two incidents in your organisation: one where a trivial incident culminated in a major dispute and the other where a major dispute was averted due to prompt and appropriate intervention. Reconstruct the events in a sequence and analyse the factors that led to the dispute and the factors which helped avert the dispute.

- 4 Discuss the major causes of industrial disputes in india and explain the machinery available for resolving them under the Industrial Disputes Act.
- 5 Outline the principles for good industrial relations.

22.8 FURTHER READINGS

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UNIT 23 INDUSTRIAL DEMOCRACY AND WORKERS' PARTICIPATION

Objectives

Over the last several years, a combination of powerful social, cultural, political, economic and industrial pressures have created a world-wide demand for greater participation and democratisation. Workers' participation in management is only one of the manifestations of this global trend. Contemporary interest in promoting workers' participation is in a large measure due to (a) democratic or socialistic ideology, (b) desire to increase union power, and (c) belief that participation enhances productive efficiency, fosters industrial harmony and enriches human personality.

The objectives of this unit are to:

- understand what industrial democracy is, what its purpose is, what advantages can be derived if it works well and what conditions are necessary for its successful implementation,
- see how and to what extent industrial democracy can be achieved through worker's participation in industry,
- know what steps have been taken in some countries, particularly in India, to obtain workers' participation in industry and with what degree of success, and
- realise what needs to be done to make workers' participation successful.

Structure

- 23.1 Industrial Democracy
- 23.2 Workers' Participation
- 23.3 Workers' Participation in India
- 23.4 Summary
- 23.5 Self-assessment Test
- 23.6 Further Readings

23.1 INDUSTRIAL DEMOCRACY

Democracy is 'Government of the people, by the people and for the people'. Industrial democracy should likewise, mean management of a unit by the people, and for the people. 'People' here would mean all those concerned with a unit — the owners, the managers, the workers, the customers, the suppliers, the State and the society as a whole. They are all important as they have a stake in the proper functioning of the unit.

Unfortunately, however, political thinkers, social scientists, administrators, businessmen—all have so far thought only of the workers and not others in their concern for industrial democracy. The state gets its say as a regulator of business. The customer, the suppliers and the society are left out. Some awareness towards society in developing through realisation of social responsibility of business.

Real industrial democracy will come about when major policy decisions in an industrial unit are taken by a body comprising representative of all parties concerned, each having an equal voice in an environment that enables free and frank expression of power.

Here we will discuss the concept of industrial democracy in the context of workers' participation in management.

Purpose of Industrial Democracy

The purpose of industrial democracy is to give the workers a sense of belongingness to the organisation and a sense of commitment to various decisions taken. In its absence they will consider themselves to be just employees, having no commitment to the objectives or the policies, plans and programmes of the organisation and no

responsibilities for anything that goes wrong in relation to them in the organisation. This will, in the ultimate analysis, hinder the effective working of the organisation and its growth.

Growing Importance

The thinking that workers should participate in the management of enterprises which employ them is not a new one. But recently industrial democracy has become a topic of great interest. This is because of the following factors:

- 1 The results of the various experiments initiated by several countries like England, Sweden, Germany, Yugoslavia, USA, etc. for increasing production during the Second World War and the immediate post-war period with the cooperation of workers through the formation of Productivity Councils, the Works Councils, Joint Consultation Committees, Workers' Councils, etc. are now beginning to mature.
- 2 In England and the Scandinavian nations, where negotiation rather than legislation has been the traditional method of solving industrial problems, the economic and social climate is now such that industrial democracy can be discussed responsibly by the parties concerned.
- 3 There is growing awareness that increased productivity and a higher standard of living depend largely on the willingness of the workers to cooperate in the drive for greater efficiency.
- 4 What increased complexities arising out of technological changes and economic progress, efficient administration and skilful management are increasingly regarded as a prerequisite for welfare of an enterprise and this, among other things, requires that management take employees with them in their efforts.

Prerequisites for Industrial Democracy

Three conditions are necessary for successful functioning of democracy:

- 1 Every citizen should be treated as an equal human being. Nobody should be treated as inferior because of nationality, caste, religion, sex, ethnic group or financial condition. Mere lip sympathy to equality is not enough.
- 2 Every citizen should have freedom of movement in his daily life and freedom to make an autonomous contribution to the life of the community. If freedom is restricted by the need to earn a living or by censorship or by other means, no formal arrangement for representation can create an effective democracy.
- 3 The leadership should be removable by and responsible to those who are led. Leadership should not be permanently controlled by some political party or loyal to a narrow social stratum.

Unfortunately, however, there would hardly be any country where these conditions prevail to the full extent. A hundred per cent success of democracy, therefore, is just an ideal towards which society should move. The nearer it approaches it the better it would be. These conditions are equally applicable to industrial democracy as well. For operationalising industrial democracy some additional care is to be taken. First, since workers participate in the process of decision-making mainly through their representatives, i.e. trade union leaders, a unified, independent and strong trade union movement is necessary. Secondly, management must accept unionism and work with it. Thirdly, public policy should facilitate and encourage voluntary collective bargaining.

The ideal kind of industrial democratisation would mean ensuring that workers are in a position to influence (from below) the decisions taken at the top. Since the traditional process of management works from top to bottom there is need to integrate both these systems without jeopardising the objectives of the business. It is, no doubt, difficult to reach the ideal but some efforts can be made in this direction and several forms have been tried with some degree of success in some countries, e.g., joint consultation in the UK, co-determination in West Germany, self-management in Yugoslavia and works committee, joint management councils, shop councils and plant councils in India.

Possible Gains of Industrial Democracy

The possible gains from effective functioning of industrial democracy include:

- 1 With greater share of workers in making decisions that affect their work, there

would be less likelihood of their taking actions that lead to interruption work. This will lead to industrial peace.

- 2 With peaceful resolution of industrial conflicts, there would be reduction in loss of production.
- 3 Democratisation may lead to human happiness in the industrial community. This will possibly lead to a decline in voluntary absenteeism, sickness, accidents, labour turnover and other symptoms of maladjustment.

23.2 WORKERS' PARTICIPATION

If perfect democracy is just an ideal, which can be attempted and approached as proximately and humanely as possible, it is more so in industrial democracy, where superior-subordinate relationship are more prominent between the employer and employees, managers and workers and between one level of hierarchy of organisation and the other. Some efforts have been made in this direction in various countries. These are various forms of what we call "workers' participation".

Workers' participation is not the same thing as industrial democracy. Industrial democracy is an ideal and an ultimate goal that should be approached for the benefit of the employees, the industry and the society as a whole, whereas workers' participation is a process through which efforts are being made to approach that goal.

Workers' participation is, thus, an essential step in the direction of industrial democracy. It is believed that workers' participation in management enhances productive efficiency, fosters industrial harmony, enriches human personality and renders workers' participation a vehicle of industrial democracy. Workers' participation today is no longer a question of "whether" but of "how".

Definition and Characteristic features

The term 'workers participation' means different things to different people, depending upon their objectives and expectations.

For management it is joint consultation prior to decision making; for workers it is co-decision or co-determination; for trade union leaders it is the harbinger of a new order of social relationship and a new set of power equation within organisations; for administrators it implies the association of labour with management but without final authority or responsibility in the decision-making process.

In view of these different views it is difficult to define 'workers' participation'; it can only be described as a system of communication and consultation, either formal or informal, by which the employees of an organisation are kept informed about the affairs of the undertaking and through which they express their opinion and contribute to management decisions.

The following are the characteristics of workers' participation:

- 1 Participation implies practices which increase the scope for employees' share of influence in decision-making at different tiers of the organisational hierarchy with concomitant assumption of responsibility.
- 2 Participation has to be at different levels of management. Decision-making at different levels would assume different patterns in regard to policy formulation and execution.
- 3 Participation presupposes willing acceptance of responsibilities by workers.
- 4 Participation is conducted through the mechanism of the forum and practices which provide for association of workers' representatives.
- 5 The broad goal of participation is to change fundamentally the organisational aspect of production and transfer the management function entirely to the workers so that management becomes 'Auto-management'.

Connotations and Practices in Different Countries

Workers' participation is known by various other names also. These are 'Labour-Management Co-operation', 'Co-determination', 'Joint Consultation', 'Joint Decisionmaking', 'Workers Control' and 'Workers-Participation in Industry'.

These are often used interchangeably. They represent different forms of participation, which differ only in degree, not in nature.

In Great Britain and Sweden, participation is in the form of Joint Consultation through Joint Consultative Committees. These committees have only an advisory power. In France, it has taken the shape of Works Committees. In West Germany participation is in the form of Co-determination and Auto-management through Workers Councils and Co-determination Committees. In Belgium, participation in management is through Joint Work Councils. In Yugoslavia, where enterprises are owned by society as a whole, the units are run by the employees themselves under a scheme known as 'self-management' which operates with the help of an elected Workers' Council and a Management Board. In USA participation is known as Union-management Co-operation, which operates through Collective Bargaining agreements. In India, we call it Labour Management Co-operation and Workers' Participation in Management and it is sought to be brought about through the agencies of Works Committees, Joint Management Councils, Shop Councils, Unit Councils and Joint Councils.

Objectives of Workers' Participation

The underlying common objectives of workers' participation in management in any country are to:

- establish a good communication system
- promote mutual understanding between management and workers
- create a sense of belongingness among workers
- prevent alienation and exploitation and to create a proper climate for cordial and harmonious employer-employee relation
- handle resistance to change. (If the need for change is jointly felt by all partners of production its acceptance will be easy.)

In addition to the realisation of the objectives mentioned above, effective participation by workers will also result in:

- a sense of involvement among workers in organisational purpose and activities
- a sense of inducement to contribute their best with a sense of commonness
- a sense of commitment to decisions to which they were a party.

Levels of Participation

Participation is possible at all levels of management. The areas and degree would differ considerably at different levels of management. At one extreme, where decision making is reserved for authorities, participation will be the minimum; at the other, where exercise of this authority is small, participation will be maximum. In between these two extremes, the nature and extent of participation will vary depending upon a variety of factors including the problems, the attitudes and past experience of management and the development of human relations in general and labour-management relations in particular.

The levels of participation may range as discussed below from mere information sharing to decisive participation:

Information Participation: Refers to information sharing on such items as may be agreed to, like balance sheet, production, economic condition of the plants, etc. Here, the workers has no right of close scrutiny of the information provided.

Consultative Participation: is one under which the workers are consulted in such matters as welfare programme and methods of work and safety. Management may or may not accept the suggestions. Here the members get an opportunity to express their views.

Associative Participation: Here the role of the council is not just advisory. The management is under a moral obligation to accept and implement the unanimous decision of the Council.

Administrative Participation: Here a decision, already taken, comes to the Council for implementation with alternatives to select from. Matters covered here are welfare measures and safety operation of vocational training and apprenticeship schemes, preparation of schedules of working hours, breaks and holidays, payment of rewards for valuable suggestions received and any other matter as may be agreed to by the members.

Decisive Participation: Here decisions are jointly taken on matters relating to production, welfare, etc. Workers' participation in management can deal with and exercise supervisory, advisory and administrative functions on matters concerning safety, welfare, etc. though the ultimate responsibility is vested in management. Individual grievances are excluded from its scope.

Forms of Participation

Now we shall briefly consider the well-known participatory forums:

Collective Bargaining is done periodically or on a continuing basis between management and workers' representative, on issue over which the interests of workers and management are competitive, such as wage rates, bonus rates working hours and number of holidays. The agreements arrived at are normally binding on the parties. In actual practice, each party tries to outbid the other and get maximum advantage by using necessary threats and counter-threats, like strikes, lock-outs and other direct actions.

Works Councils: These are elective bodies of employees, assigned with different functions in the management of an enterprise. In some countries their role is limited only to receiving information about the enterprise.

Joint Management Councils and Committees: These bodies are mainly consultative and advisory. As these are consultative and advisory, neither the management nor the workers take them seriously.

Board Representation: The role of workers' representative on the board of directors is essentially one of negotiating the workers' interests with the other members of the Board. The effectiveness of the workers' representative at the Board depends upon his ability to participate in decision-making, his knowledge of the company affairs, his educational background, his level of understanding and also on the number of workers' representatives on the Board.

Workers' Ownership in Enterprise: This means complete control of management by workers through an elected Board and Workers' Council. This system prevails in Yugoslavia. In this system two different sets of persons perform two distinct managerial and operative functions. Though workers have the option of influencing all decisions taken at the top level, yet, in actual practice, the Board and the top management team assume a really independent role in taking major policy decisions for the enterprises, specially on economic matters.

Activity A

Are you aware of the existence of any scheme of workers' participation in your organisation? Yes ☐ No ☐

If no, please find out with the help of your Personnel Department and write below,
a) Why it is so?

b) Whether some thought is being given to have it and, if yes, what form and level of participation is being considered?

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c) What advantages are envisaged?

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If yes, please find out and write below

a) What form and level of participation is there?

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b) How long has it been there?

year months

c) With what degree of success has it worked?

Very High ☐ High ☐ Average ☐ Low ☐ Very Low ☐ Nil ☐

d) What purpose has it served so far?

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e) What improvements are being considered for implementation?

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23.3 WORKERS' PARTICIPATION IN INDIA

Let us now review various schemes of workers' participation in India. This can be studied stage-wise, viz. before Independence, and after Independence: Works Committees, Joint Management Councils, Worker Directors in Public Sector (1970), Schemes of 1975 and 1977, and the New Scheme of 1983.

Before Independence

It was in 1920 that Mahatma Gandhi suggested participation of workers in management on the ground that workers contributed labour and brains while shareholders contributed money to the enterprise and that both should, therefore, share in its prosperity. He said that there should be a perfect relationship of friendship and co-operation among them.

The influence of the Mahatma bore fruits. Joint Consultation model was adopted in the cotton textile industry. Some Works Committees were also set up in the printing presses of the Government, the Tata Iron and Steel Company, and in the Railways. The element of participation was also evident in the permanent Arbitration Board at Ahmedabad where representatives of the Mill-Owners' Association and the Textile Labour Association settled many disputes through voluntary arbitration.

The Royal Commission on Labour (1929-31) recommended the formation of Works Committees, which could play a useful role in the Indian industrial system. It also suggested the establishment of a joint machinery to deal with the more general questions, and to act as an advisory appellate body in respect of disputes which were confined to a single establishment. The recommendations of the commission bore fruits with the provision of formal statutory machinery under the Bombay Industrial Relations Act, 1946 and the Industrial Disputes Act, 1947. The Bombay Industrial Relation Act, which applies to the textile industry in Maharashtra and Gujarat, provides for setting up of joint committees only in units which have a representative union. Under the Industrial Disputes Act (1947) an industrial establishment where 100 or more workmen are employed or have been employed on any day in the preceding twelve months, required to constitute a works committee in the prescribed manner.

After Independence

The first step taken in free India in the direction of workers' participation was the expression in the Industrial Policy Resolution (1948) of an intention to associate labour in all matters concerning industrial production. The first Five Year Plan called for the constitution of Joint Committees for consultation at all levels and reiterated the Government's faith in Works Committee. The Government of India's Industrial Policy of 1956 also emphasised the need for workers' participation in management. The usefulness of the institution of Works Committee as a channel for joint consultation and for promotion of harmonious relations was stressed in the successive Five Year Plans.

A Study Group on Workers' Participation in Management consisting of representatives of the Government, employers and workers was set up in 1956 which among other things, emphasised reorientation of attitudes, strong and self-confident trade unions, and good industrial relations for the success of any scheme of participation. It also emphasised that no compulsion should be used in constituting the Councils, and only enabling legislation be favoured. It also made recommendations regarding functions and constitution of Joint Management Councils.

These recommendations were accepted by the 15th Indian Labour Conference in July 1957. It appointed a 12-member sub-committee to consider further details of the scheme. The sub-committee made recommendations about the details and these were discussed in a seminar on Labour-Management Cooperation held in 1958.

The seminar took important decisions about the size of the councils, office-bearers and terms of office, etc. It drew up a draft Model Agreement between management and labour for establishing Joint Management Councils which would have three sets of functions to fulfil its function as an advisory body to receive information on certain matters and to fulfil administrative responsibilities.

The Administrative Reforms Commission in its report on public sector undertakings recommended inclusion of representative of workers on the Board of Directors of public sector enterprises. The Government accepted it and decided that such representation will apply only in the case of industrial units and not in the case of financial and commercial undertakings. This has also been done in a few public undertakings on a trial basis under the Management and Miscellaneous Scheme of 1970.

The Nationalised Banks (Management and Miscellaneous Provisions) Scheme, 1970, framed under the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970, provides for the appointment of one director from among employees (who are workmen) and another from among officers in each of the nationalised banks' Board. The scheme has been working since 1970 though there were some difficulties in resolving the issue of representative union which should be given the right of nominating a worker director on the bank's Board. In regard to officer-director, such problems did not arise since officer-directors are nominated by the Ministry of Finance through the respective bank managements. The officers' associations in the nationalised banks expect to have the same right as workers' unions have in electing or nominating the director from their constituency. However, the Government has not so far conceded this right to the officers' associations.

Thus, upto July 1975, three forms of workers' participation had been introduced in India. They are the Workers Committees, Joint Management Councils and Worker-Directors on (public sector) boards of directors. In 1975 a new scheme of shops and plants councils was introduced, under the 20-Point Economic Programme, and in 1976 the Constitution was amended to incorporate workers' participation in management as one of the Directive Principles of State Policy.

In 1975, the Government adopted the 20-Point Economic Programme. One of the important elements of this programme was the introduction of a scheme for workers' participation in industry at the shop floor and plant levels in manufacturing and mining sectors. Initially, the scheme was made applicable to those industries employing 500 workers or more in the public or private sectors including departmentally run organisations. The scheme was made flexible so as to allow variations to suit individual requirements. Based on some experience gained in the working of the scheme of October 1975 another scheme for Workers' Participation in Management in commercial and service organisations having large scale public dealings and employing at least 100 persons was brought forward in January 1977. This scheme was made applicable to organisations like hospitals, posts and telegraph offices, railway stations/booking offices, banks, road transport undertakings, state electricity boards, public distribution systems, etc.

The various issue relating to the nature of the scheme for manufacturing and mining industries, its structure, representation of the councils, functions, etc. thrown up by the practical working of scheme were discussed at length at the tripartite Labour Conference held in May 1977 and the consensus was to appoint a committee to go into various issues in detail and to make recommendations to the Government.

Committee on Workers' Participation in Management and Equity

In September, 1977, Government appointed a 'Committee on Workers' Participation in Management and Equity' consisting of eighteen members, representing Central Organisations of trade unions and employers, and some of the States and professional institutions of management, under the chairmanship of the Union Minister of Labour. In January, 1978, three additional members were nominated to the committee increasing its strength to twenty-one.

The terms of reference of the Committee required it to consider and recommend an outline of a comprehensive scheme of Workers' Participation at different levels of management in industrial establishment and undertakings. The Committee was also to consider, among other matters, the need for a statutory scheme for workers' participation in management, the extent to which the concept of trusteeship in industry could be given a practical shape in the proposed scheme of Workers' Participation, and the extent and manner in which participation of workers in equity holdings should be encouraged or provided for, etc., and make suitable recommendations in this regard. The report of the Committee, which was submitted

to Government in March 1979 showed that majority of the members favoured adoption of a three-tier system of participation, viz. at the corporate level and shopfloor level. The employers in the private sector however favoured only a two-tier system of participation and wanted to exclude the Board level. The Committee laid down the detailed functions of the various councils at shopfloor, plant and corporate levels and recommended that workers' representative at the participative forums should be selected through secret ballot. It recommended further that an organisation be set up, both at the Centre and in the States, to monitor the implementation of the scheme and also review its working.

'New Scheme' on Workers' Participation in Management

The recommendation of the 21-Member Committee on Workers' Participation in Management and Equity were considered by the Government. In the light of the experience gained the Government formulated and introduced a new comprehensive scheme on a voluntary basis for Workers' Participation in Management on 30th December, 1983.

The broad features of the new scheme are as follows:

- a) The Scheme would cover all Central Public Sector Undertakings except those which are given specific exemption by the administrative Ministry or Department concerned in consultation with the Ministry of Labour.
- b) All undertakings of the Central Government which are run departmentally will be excluded from the new scheme. This is because Joint Consultative Machinery is expected to exist in all governmental undertakings which contain proper mechanism of employees' participation in these undertakings.
- c) The Scheme will be operated at both the shopfloor and plant levels. There is also a provision for introducing it at Board level.
- d) The scheme provides for an equal representation at the shopfloor and plant level forums. The representation of the workers at the shopfloor and plant levels would cover different categories of workers such as skilled and unskilled, technical and non-technical. Managerial personnel would be excluded, but supervisors such as Foreman, Chargeman, etc., would be covered. Each party will have a representation of 5 to 10 members depending on the size of the workforce. The exact number would be arrived at by the management in consultation with the trade union leaders in the undertaking. The management will also consult the concerned trade union leaders and evolve a consensus through the mode of representation of workers at all levels at which the scheme would be implemented. Another special feature of this Scheme is that it envisages adequate representation for women in the participative forums where women workers constitute 10 per cent or more of the total workforce.
- e) The functions of the participative forum have been made more elaborate and comprehensive in the new scheme. At the shopfloor level, the participative forums will look into a wide range of functions such as production facilities, storage facilities in a shop, materials economy, operational problems, wastage control, hazards, safety problems, quality improvement, cleanliness, monthly targets and production schedules, cost reduction programmes, formulation and implementation of work system design, group working and welfare measures related particularly to the shop.

At the plant level, the participative forum will look into the following functions:

Operational areas

- Evolution of productivity schemes taking into account the local conditions.
- Planning, implementation and review of monthly targets and schedules.
- Materials supply and its shortfall.
- Storage and inventories.
- House-keeping.
- Improvements in productivity.
- Encouragement to and consideration of suggestions.
- Quality and technological improvements.
- Machine utilisation and development of new products.
- Operational performance figures.

ballot the problem of inter-union rivalry could be avoided but there are other who consider the secret ballot as unacceptable to the working of the trade unions.

The third point relates to the levels to which the scheme of employees' participation should apply. At present, the Government have accepted that the scheme should apply at three levels viz., shopfloor, the plant level, and at the level of the Board of Directors. There is a view held by some of the leading industrialists that employees' participation at the level of Board of Directors is not practicable. According to Jalan, "There should be a system of graduating from the lower levels such as workers' committees. Once a worker is on the Board, he is expected to uphold not only the workers' interests but also think in a manner that will not undermine the management (Hindustan Times, 29 March 1986).

The other important matter is the type of issue which could be dealt with by the participative forums. The Committee on Workers' Participation held the view that the question of work related issues and interest related issues has to be tackled. It is true that the dividing line between these two is often very thin. The question that is asked by some is whether matters such as disciplinary action transfers response to threatened industrial unrest could be subjects which come within the purview of the participative forum.

The general view, however, is that these will have to be different depending on the level of the participative forum. Issues which have a commonality among various centres such as common production facilities, storage facilities, materials economy, operational problems, hazards, safety quality, work systems, skills development, etc. should be within the purview of the participative forum at the shop level. At the plant level the issue could be:

- operational matters such as productivity schemes, production planning, quality output designing development, cost reduction, etc.
- economic and financial areas such as incentives, budgets, plant performance, etc.
- personal matter like absenteeism, transfers and promotions, training.
- welfare matters including safety, housing, etc.
- environmental aspects.

The participative forum at the Board level should concern itself with issues relating to technology, expansion, marketing, production and review of the working of the participative forums at the plant and shopfloors. Issue concerned with the collective bargaining machinery may have to be excluded.

Prerequisites for Effective Participation

The following are the prerequisites for the success of participative management:

- There must be a strong, democratic and representative unionism for the success of participative management.
- There should be closely formulated objective for participation. These should be mutually agreed upon.
- There should be a feeling of participation at all levels. Too much emphasis on heirarchical structure and close supervision is not conducive to participation. The working environment must be congenial enough to inspire the workers to give their best to the enterprise.
- There should be effective consultations of the workers by the management to inculcate enthusiasm in them in the formulation of policies that affect them directly. They should have a say in all the issues affecting them.
- Both the management and the workers must develop a favourable attitude and outlook, and must have full faith in the soundness of the philosophy underlying the concept of workers' participation.
- Employers, trade unions and the Government can play a major and meaningful role in organising and conducting training programmes and in developing the necessary skill in the representatives of workers and employers.

Activity B

Is your organisation covered by any scheme of participation? Yes ☐ No ☐ If yes,

- a) Which one?
- b) When was it formed?
- c) Have the various councils met frequently as provided? Yes ☐ No ☐
- d) What do the workers think of the success of these councils?
- e) What matters have been talked about or discussed?

- f) What does the management think of the success of these councils?

- g) If success level has not been high, what are the reasons given for it by the two parties?

23.4 SUMMARY

We have observed that industrial democracy is a logical correlate of political democracy and that workers' participation in management is a vehicle for achieving industrial democracy. Besides ideological considerations, legislation, trade union pressures, and modern management concepts and methods have contributed to the growth of the concept of participation. Participation means many things to many people and as yet there is no conceptual clarity. Workers' participation is no longer a question of 'whether' but of 'how'. Participation can occur at different levels and in various forms. The Government of India, like governments in most other countries, had given thrust to the concept of workers' participation and evolved, over the years, various schemes such as Works Committees, Joint Management Councils, Workers' Directors and the new scheme of shop and plant level councils. A three-tier participation is being advocated even as problems persist in implementing various schemes due to the absence of prerequisites, issues in method, level, form and scope of coverage of issues in the participative forums. There is need to overcome the problems of multiplicity of unions and achieve favourable attitudes and skills through education and training to make participation work.

23.5 SELF-ASSESSMENT TEST

- 1 What is the rationale for workers' participation in management?
- 2 Review the schemes of workers' participation in management in India and outline the preconditions for their success.
- 3 Explain the functions of:
 - a) works committees
 - b) shop level councils
 - c) plant level councils
- 4 Briefly discuss the levels and forms of workers' participation in management.

23.6 FURTHER READINGS

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