

UNIT 1 HUMAN RESOURCE PLANNING



Objectives

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

- Define human resource planning and discuss the importance of human resource planning;
- Describe the process of human resource planning;
- Discuss the forecasting techniques used for human resource planning; and
- Identify the problems associated with human resource planning and measures to overcome.

Structure

- 1.1 Introduction
- 1.2 Concept of Human Resource Planning
- 1.3 Need for Human Resource Planning
- 1.4 Levels of Human Resource Planning
- 1.5 Process of Human Resource Planning
- 1.6 HR Demand Forecasting
- 1.7 Problems in Human Resources Planning
- 1.8 Guidelines for making HRP effective
- 1.9 Summary
- 1.10 Self-Assessment Questions
- 1.11 Further Readings

1.1 Introduction

Human resource planning (HRP) , is an ongoing, continuous process of systematic planning to achieve optimum use of an organization's most valuable asset — its human resources. The objective of human resource planning is to ensure the best fit between employees and jobs while avoiding manpower shortages or surpluses. The four key steps of the human resources planning process are analyzing present labor supply, forecasting labor demand, balancing projected labor demand with supply and supporting organizational goals.



(HRP) is both a process and a set of plans to meet the future supply and demand of human resources. HRP is a very dynamic process; it depends on the external environment like labour market and the organizational strategies. HRP process often requires readjustments depending upon the labour market conditions. The HR managers carry out the HRP function considering the demand for human resources and the financial and legal implications.

1.2 Concept of Human Resources Planning

According to E.W. Vetter, human resource planning is “the process by which a management determines how an organisation should make from its current manpower position to its desired manpower position. Through planning a management strives to have the right number and the right kind of people at the right places, at the right time to do things which result in both the organisation and the individual receiving the maximum long range benefit.”

Dale S. Beach has defined it as “a process of determining and assuring that the organisation will have an adequate number of qualified persons available at the proper times, performing jobs which meet the needs of the enterprise and which provide satisfaction for the individuals involved.”

In the words of Leon C. Megginson, human resource planning is “an integration approach to performing the planning aspects of the personnel function in order to have a sufficient supply of adequately developed and motivated people to perform the duties and tasks required to meet organisational objectives and satisfy the individual’s needs and goals of organisational members.”

According to Geister, HRP is the “process – including forecasting, developing and controlling, by which a firm ensures that it has the right number of people and the right kind of people, at the right places at the right time doing work for which they are economically most useful”.

By analyzing the above definitions, HRP may be defined as strategy for



acquisition, utilization, improvement and preservation of the human resources of an enterprise. The objective is to provide right personnel for the right work and optimum utilization of the existing human resources. HRP exists as a part of the planning process of business. This is the activity of the management which is aimed at co-coordinating requirements for and the availability of different types of employers. The major activities of HRP include: forecasting (future requirements), inventorying (present strength), anticipating (comparison of present and future requirements) and planning (necessary programme to meet future requirements).

Activity A

Identify and tabulate the present position of human resources and future requirement in an organisation you are familiar with.

Objectives of HRP

The objectives of HRP are mainly to:

1. ensure optimum utilization of human resources currently employed;
2. assess or forecast future requirements;
3. cope up with the changing scenario;
4. attaching with business plans of organization;
5. anticipate redundancies;
6. provide basis for human resource development (HRD); and
7. assist in productivity bargaining.



Benefits of HRP

Proper HRP results into a number of benefits. Some of them are:

- a) Create reservoir of talent.
- b) Preparation for future HR needs.
- c) Promote employees in a systematic manner.
- d) Provide basis for HRD.
- e) Help in career and succession planning.

1.3 Need for Human Resource Planning

Major reasons for the emphasis on HRP at macro level 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.

Organizational Changes: In the turbulent environment marked by cyclical fluctuations and discontinuities, the nature and pace of changes in organizational 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 HRP.

Skill Shortages: Unemployment does not mean that the labour market is a buyer's market. Organizations 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 organizations to become involved in systematic HRP.

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 organization 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, displace persons, sons of the soil etc.

Systems Concept: The spread of systems thinking and the advent of the macro 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 deployment of the employee to handle new knowledge and skills successfully.

Factors affecting Human resource planning

The factors affecting HRP are both long range and short range. Some of the major factors are:

1. Long term *business plan* of the organization.
2. The overall predicted change in the *demographics* of the labour force.
3. The *technological advancements* and its impact on the labour market.
4. The *social and legal* trends of the nation.

1. 4 Levels of Human Resource Planning

HRP is carried out at the following levels:

1. **National Level:** The Central Government plans for human resources at the national level. It forecasts the demand for and supply of human resources as a whole. For example, the Government of India specifies the objectives of HRP in successive five-year plans.
2. **Sectoral Levels:** Central and State Governments, formulate HRPs for different sectors. For example, industrial sector, agricultural sector etc.
3. **Industry Level:** HRP for specific industries are prepared by the particular



industries.

4. **Unit Level:** HRP for a particular department/sector of an industry is prepared at this level. It again includes the following levels.

- i) Department level; and
- ii) Divisional level.

Sources of information for human resource planning

The population census data depicting the personal and economic data are the major source of information for any HRP. However the following are some of the sources of information for HRP.

1. *Job analysis* which provides information related to job description and job specification.
2. *Labour force sample survey* provides information about the employment status of the population.
3. *Establishment survey* is the information on the employment data of the establishments in same area.
4. *Labour market survey* provide information on workforce supply and demand in specific area of occupation.
5. *Labour force survey* provides a picture of an activity status and characteristics of the population.

1.5 Process of Human Resource Planning

The process of HRP is entirely based on the corporate plans and objectives. HRP is a continuous process of review, control and assessment. HRP process includes job analysing, developing work rules, work study, analysis of other factors of production and performance leading to an action plan. The Figure 1 clearly indicates the HRP process.

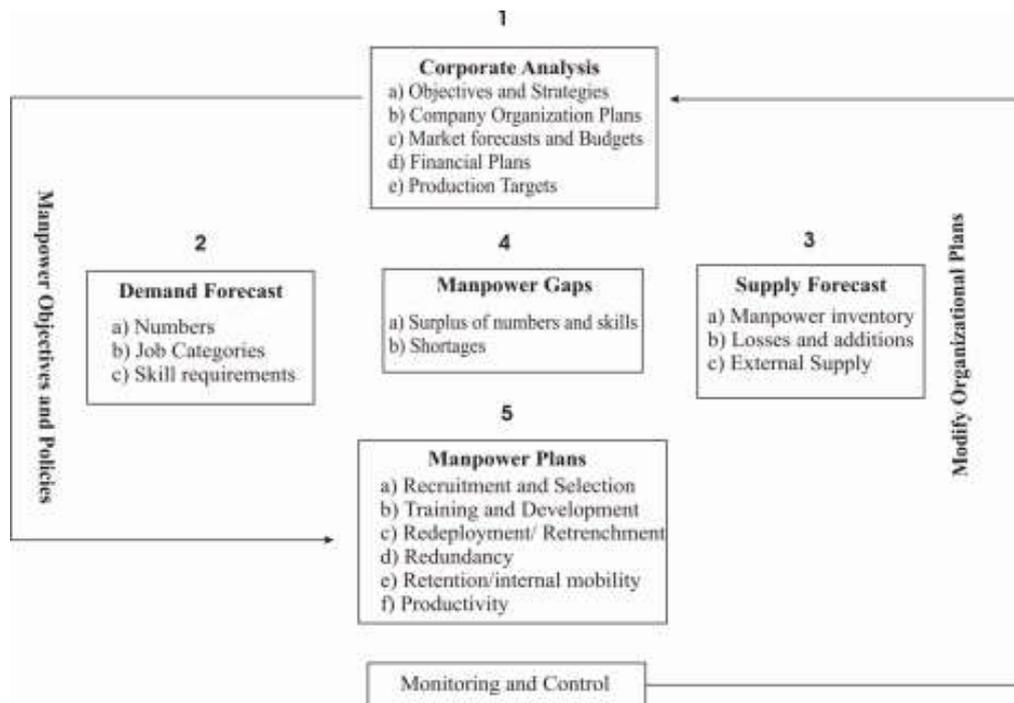


Figure 1: Human Resource Planning Process

Source: Gupta, C.B. (1997). *Human Resource Management*.

The major stages of HRP are as follows:

Analysing Operational Plans: It consists of the following sub-stages:

1. Objectives and strategic plans of the organisation are analyzed.
2. Plans concerning technological, finance, production are analyzed and HRP is prepared keeping these in mind.
3. Future plans, goals, and objectives of the company are also taken into account.

Human Resource Demand Forecasting: HR demand forecasting mainly involves three sub functions:

1. **Demand Forecast:** Process of estimating future quantity and quality of human resources required.
2. **Manpower Gaps:** Depending upon the requirement existing surplus human resources having desired skills are matched, if not found then shortage is shown.



3. **Supply Forecast:** Basing on the existing HR inventory and the demand forecast, the supply forecast of human resources is carried out in an organization.

1.6 HR Demand Forecasting

The HR forecast can be calculated in a variety of ways. Broadly, the HR forecast has two methods i.e. *Projecting Demand and Projecting Supply*.

Projecting demand is an estimation of demand based on professional assessment of manpower demand. The techniques used for projecting demand are:

1. *Inquiry method:* It is the most common and desired method. It involves a survey which provides the HR planner of the establishment. The final outcome comes in the form of an HR Planner.
2. *Statistical method:* It involves collection of data using various related variables of HRP.
3. *Econometric method:* It is a sophisticated method for analyzing the HR demand in terms of the economics angle of the company.
4. *Simulation method:* It is the process of projecting demand for skilled workforce based on input –output analysis.

Projecting supply is an estimation of rate of movement into and out of workforce. It is usually done with the following techniques.

1. *Baseline projections:* It calculates uncertainty of future and what will happen if no initiatives are taken.
2. *Sensitivity analysis:* It helps the HR planner to identify the most likely sources of uncertainty and help according to plan.

The other commonly used techniques of HR demand forecast are as below.

1. **Managerial Judgment:** In this, experienced managers estimate the human resource requirements for their respective departments on the basis of their knowledge of expected future work load and employee efficiency.
2. **Work-study Method:** In this method time and motion study are used to

analyze and measure the work being done.

3. **Ratio-Trend Analysis:** Under this method ratios (e.g. total output/no. of workers, direct workers/indirect workers) are calculated on the basis of past data. Future ratios are basing on the past trend.
4. **Mathematical Models:** It expresses the relationship between independent variable (e.g. investment, production, sales, etc.) and dependent variables (e.g. no. of employees required).





Activity B

Describe how human resource demand forecast is carried out in an organization you are familiar with.

Factors affecting HR Demand Forecasting

Human Resource Demand Forecasting depends on several factors, some of which are given below:

1. Employment trends;
2. Replacement needs;
3. Productivity;
4. Absenteeism; and
5. Expansion and growth.

1. 7 Problems in HRP Process

The main problems in the process of HRP are as follows:

1. ***Inaccuracy***: HRP is entirely dependent on the HR forecasting and supply, which cannot be a cent per cent accurate process.
2. ***Employee resistance***: Employees and their unions feel that by HRP, their workload increases so they resist the process.
3. ***Uncertainties***: Labour absenteeism, labour turnover, seasonal employment, technological changes and market fluctuations are the uncertainties which HRP process might have to face.
4. ***Inefficient information system***: In Indian industries, HRIS is not much



strong. In the absence of reliable data it is not possible to develop effective HRP.

5. ***Time and expense:*** HRP is time consuming and expensive exercise, so industries avoid.

1.7 Guidelines for making HRP effective

In order to handle the challenges faced for HR planning the following guidelines may be useful. It also helps to improve effectiveness of HRP process.

1. ***Tailor-made:*** HRP should be balanced with corporate objectives.
2. ***Appropriate time:*** The period of HRP process should be appropriate to the needs and circumstances of an organization.
3. ***Adequate organization:*** HRP process should be adequately/properly organized.
4. ***Top management support:*** Before starting the HRP process the support and commitment of top management should be ensured.
5. ***Participation:*** HRP will be successful if all in an organization are participating.
6. ***Information system:*** An adequate database should be developed for facilitating HRP.
7. ***Balanced focus:*** The quantity and quality should be stressed in a balanced manner.

1.8 Summary

To sum up, HRP is the process of determining the number and kind of human resources required in an organization for a specific time period in future. HRP is important for an organization because of the changing scenario. HRP is formulated at various levels. The process of HRP involves steps like job analysis, developing forecasting technique, deciding the model and action plan. It is affected by long term and shot term factors. The problems associated with HRP can be managed by adopting a scientific, up to date and systematic action plan.



1.9 SELF ASSESSMENT QUESTIONS

1. Describe the process of HRP with illustrations.
2. Explain the HR forecasting techniques with the help of examples.
3. Discuss the problems in HRP and state measures to overcome them.

1.10 FURTHER READINGS

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UNIT 2 TRAINING AND DEVELOPMENT



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

- explain the meaning of training;
- discuss the need and importance of training;
- describe various methods of training;
- identify areas for evaluation of training;
- explain the concept of retraining;

Structure

- 2.1 Introduction
- 2.2 Concept of Training
- 2.3 Need, Importance and Benefits of Training
- 2.4 Training Mission, Policy, Plan and Strategy
- 2.5 Training Models
- 2.6 Training Need Analysis
- 2.7 Designing Training Programmes
- 2.8 Implementation
- 2.9 Evaluation of Training
- 2.10 Principles of an Effective Training Programme
- 2.11 Retraining
- 2.12 Summary
- 2.13 Self-Assessment Questions
- 2.14 Further Readings



2.1 Introduction

Training and development are process that attempt o provide an employee with new skill and understanding of new system and applying it in work. In addition training and development are designed to help the person in utilizing and enhancing the skill which in turn will help in good performance.

Training helps employees to perform better in their existing work; while development prepares individual for career development.

Training is required at every stage of work and for every person at work. To keep one updated with the fast changing technologies, concepts, values and environment, training plays a vital role. Training programmes are also necessary in any organisation for improving the quality of work of the employees at all levels. It is also required when a person is moved from one assignment to another of a different nature.

Taking into account this, context, this unit aims at providing insight into the concept, need and methods of training, also areas of evaluation of training and retraining.

2.2 Concept of Training

Training is the most important function that directly contributes to the development of human resources. This also happens to be a neglected function in most of the organisations. If human resources have to be developed, the organisation should create conditions in which people acquire new knowledge and skills and develop healthy patterns of behaviour and styles. One of the main mechanisms of achieving this environment is institutional training. Training is short-term process utilising a systematic and organised procedure by which personnel acquire technical knowledge with skills for a definite purpose.

After recruiting and placing the employees in the right place the next step is to train and develop the Human Resources those are recruited recently. Training and Development means changing what employees know, how they work, their attitudes toward their work, or their interaction with their co-workers or supervisors.



Some of the authors have defined training as follows:

1. Jack Halloran: “Training is the process of transmitting and receiving information related to problem solving”
2. Mathis and Jackson : “Training is a learning process whereby people learn skills, concepts , attitudes and knowledge to aid in the achievement of goals.”
3. Gary Dessler : “ Training is the process of teaching new employees the basic skills they need to perform their jobs.”
4. De Cenzo & Robbins: “programs that are more present day oriented, focuses on individual’s current jobs, enhancing specific skills and abilities to immediately perform their job called training.
5. Ricky W. Griffin: “Training usually refers to the teaching operational or technical employees how to do the job for which they were hired”.

Hence we can summarise training as an organized activity carried out in order to impart new information and/ or instructions to improve the recipient’s performance and enhance his or her skills and abilities.

2.3 Need, Importance and Benefits of Training

In order to efficiently utilize the human resources, every company spends resources in training and development function. It directly contributes to the development of human resources. Training can help in meeting the new challenges , job requirements and is considered as a significant change management tool.

Training is essential because technology is developing continuously and at a fast rate. Systems and practices get outdated soon due to new discoveries in technology, including technical, managerial and behavioural aspects. Organisations that do not develop mechanisms to catch up with and use the growing technology soon become stale. However, developing individuals in the organisation can contribute to its effectiveness of the organisation.

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 to work, but work effectively with the minimum of supervision,
- 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.
- Training is necessary when a person has to move from one job to another because of transfer, promotion or demotion.

Such development, however, should be monitored so as to be purposeful. Without proper monitoring, development is likely to increase the frustration of employees if when, once their skills are developed, and expectations raised, they are not given opportunities for the application of such skills. A good training sub-system would help greatly in monitoring the directions in which employees should develop in the best interest of the organisation. A good training system also ensures that employees develop in directions congruent with their career plans.

Activity A

Visit to an industry / organization and find out the training activities that are carried out there.

2. 4 Training Mission, Policy, Plan and Strategy

Most of the organizations have an in house training department and in some cases they are out sourced depending upon the training need. All the training departments have three components in place: *training mission, training policy, training plan and training strategy.*



Training Mission: It indicates higher goals of training and is based on the organisation's mission.

Training Policy: It plays a major role in any training department. It contains training objectives and procedures.

Training Plan: It describes how to carry out the training function.

Training Strategy: It provides the road map for implementing the training policy and plan keeping in mind the training mission.

2.5 Training Models

There are various models for training that lead to individual development leading to organizational performance. Some of the widely used models are discussed briefly in this section.

A. Human Performance Technology (HPT)

HPT is a systematic and scientific process of training and instructional system to enhance productivity and achieve business goals.

Human: Performers in organisations

Performance: Measurable outcomes

Technology: Scientific study

Once the performance gap and reasons are identified the appropriate training is imparted.

B. Performance Based Instructional Design (PBID)

PBID is training model that help trainees to perform effectively. It has seven major components.

1. Programme description
2. Content analysis
3. Content selection
4. Content sequencing
5. Lesson structuring
6. Lesson delivery formatting
7. Evaluation and feedback procedures development

C. ADDIE Model

ADDIE model is a systematic approach that ensures a comprehensive training process that is planned by an organization in accordance with the business goals.



The steps are as follows.

1. Analyse: Training needs are analysed
2. Design: After analysis the training is designed
3. Develop: Training package is developed as per plan
4. Implement: Training package is implemented as per the training plan
5. Evaluation: This is the final phase where training programme is evaluated.

In this unit we will be discussing in detail how training is carried out mainly based on the ADDIE model.

2.6 Training Need Analysis

A good system of training starts with the identification of training needs. The following sources can be used for identifying training needs.

Performance Review Reports

Performance review reports help in identifying directions in which the individuals should be trained and developed. On the basis of the annual appraisal reports, various dimensions of training can be identified. Training needs identified on the basis of performance appraisal, provide good information for organising in-company training, and on-the-job training for a select group of employees.

Potential Appraisal

Training needs identified on the basis of potential appraisal, would become inputs for designing training programmes or work-out training strategies for developing the potential of a selected group of employees who are identified for performing future roles in the organisation.

Job Rotation

Working in the same job continuously for several years without much change may have demotivating effects. Some organisations plan job rotation as a mechanism of maintaining the motivation of people. Training is critical in preparing the

employees before placing them in a new job.



Continuing Education

Besides these, most of the training programmes that are organised today, aim at equipping the managers with new technology. These training programmes attempt to help the managers raise their present level of effectiveness.

2.7 Designing Training Programme

Once the training needs are identified, training issues are prioritised like appropriate training methods, budgeting, identifying trainer and scheduling. All these take place simultaneously. In this section we will be familiarising you with various methods of training.

Methods of Training

There are several methods of training available. In this section we will be touching upon the most commonly used training methods.

Analysis of an Activity: List in a logical sequence, the activities in producing 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 homogeneous 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 homogeneous), 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 to 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 way 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 comes 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 homogeneous 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 an organization you are familiar with. Write below the most commonly used methods training.



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

2.8 Implementation

After identification of training need and appropriate training method , now it is time to implement the training plan. It deals with the training strategy keeping in mind the pros and cons of the plan.

2.9 Evaluation of Training

The objectives of evaluating training is to :

- ensure that training objectives are attained;
- find ways to measure the gains in knowledge, skills; and
- ascertain if training has helped in enhancing the performance or not.

The most commonly used model for training evaluation is Krikpatrick model.

The model measures:

- Reaction of participants: what they thought and felt about training
- Learning: The resulting increase in knowledge and capability
- Behaviour: Extent of improvement in behavior and capability in application
- Result: The effects on the business resulting from trainee's performance.

2.10 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.

2.11 Retraining

Retraining programmes are designed as a means of avoiding personal obsolescence. It is the tendency of the individual employee 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 employees. 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.

Employees 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.

2.12 Summary

To sum up, training is the act of increasing the knowledge and skill of an employee for doing a particular job. Training is required in every organisation



so as to cope the employees with the emerging trends. There are various methods of training as discussed in this unit. Depending upon the training need analysis, a particular method of training is chosen for the employees (s). Nowadays training has almost become a strategic function of an organisation. Evaluation of training is as important as execution of training and the concept of retraining is based on this.

2.13 SELF ASSESSMENT QUESTIONS

1. Define training and discuss its importance.
2. How training needs are identified in an organisation?
3. Describe the methods of on-the-job training.
4. Explain the Kirkpatrick model citing examples.

2.14 Further Readings

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UNIT 3 PERFORMANCE APPRAISAL



Objectives

After completion of the unit, you should be able to:

- understand the concept of performance appraisal;
- explain the performance appraisal process;
- discuss the benefits of appraisal;
- describe various appraisal methods; and
- understand the problems in appraisal.

Structure

- 3.1 Introduction
- 3.2 Concept of Performance Appraisal
- 3.3 Goals of Performance Appraisal
- 3.4 Objectives of Performance Appraisal
- 3.5 The Performance Appraisal Process
- 3.6 Benefits of Performance Appraisal
- 3.7 Performance Appraisal Methods
- 3.8 Performance Counselling
- 3.9 Problems in Performance Appraisal
- 3.10 Effective Performance Appraisal
- 3.11 Summary
- 3.12 Self-Assessment Questions
- 3.13 Further Readings

3.1 INTRODUCTION

Employees, while undertaking specific roles in the organisation, need to know how their performances are being assessed, and what criteria has been used in appraising their performance. The outcomes of performance appraisals such as gaps in terms of knowledge, skills and attitude in performing the current job can be solved by training. Employees, assessed as having the potential to grow, can be developed further. The performance appraisal outcomes of some employees may indicate superior performance that deserves to be rewarded. These

superior performers deserve career planning, guiding and developing.

Appraising employees on the job provides the yardstick for a manager to measure the extent of an employee's performance in his/her job. If the outcomes indicate deficiencies in current job knowledge and skills, then training could be the solution. For the employee, the appraisal provides feedback on how well he/she performs the job. Having the knowledge on how to improve job performance and getting the rewards for a good job done is linked to employee motivation and job satisfaction. Another important aspect of employee job satisfaction is its link

to career growth. Employees who are highly motivated and satisfied with the job are more likely to perform better on the job, learn and fulfill the strategies of career development.



3.2 CONCEPT OF PERFORMANCE APPRAISAL

a) What is Performance?

What does the term performance actually mean? Employees are performing well when they are productive. Productivity implies both concern for effectiveness and efficiency, effectiveness refers to goal accomplishment. However it does not speak of the costs incurred in reaching the goal. That is where efficiency comes in. Efficiency evaluates the ratio of inputs consumed to outputs achieved. The greater the output for a given input, the greater the efficiency. It is not desirable to have objective measures of productivity such as hard data on effectiveness, number of units produced, or percent of crimes solved etc and hard data on efficiency (average cost per unit or ratio of sales volume to number of calls made etc.). In addition to productivity as measured in terms of effectiveness and efficiency, performance also includes personnel data such as measures of accidents, turnover, absences, and tardiness. That is a good employee is one who not only performs well in terms of productivity but also minimizes problems for the organisation by being to work on time, by not missing days, and by minimizing the number of work-related accidents.

b) What is Appraisal?

Appraisals are judgments of the characteristics, traits and performance of others. On the basis of these judgments we assess the worth or value of others and identify what is good or bad. In industry performance appraisal is a systematic evaluation of employees by supervisors. Employees also wish to know their position in the organization. Appraisals are essential for making many administrative decisions: selection, training, promotion, transfer, wage and salary administration etc. Besides they aid in personnel research.

Performance Appraisal thus is a systematic and objective way of judging the relative worth of 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.

3.3 GOALS OF PERFORMANCE APPRAISAL

The purpose of performance appraisals

Although a significant amount of time, money and effort is being spent on performance management, some managers and employees have found the exercise as subjective, being open to human interpretations and biases. In any case, employers need to ensure that performance appraisal and management have a good system in which policies, procedures and practices are in place and accessible to eligible users.



In the beginning of this section, you have been told that performance appraisal system is a type of evaluation and a feedback system in which employee performance is being assessed and it provides employees with feedback from their superiors on how they perform on the job.

Superiors use the evaluation system in order to identify a *performance gap* (if any). This gap occurs when an employee's performance does not meet the acceptable standard set by the organisation.

In addition, the feedback system helps superiors to inform their employee about the quality of his or her performance. However, the information flow is not exclusively one way.

The superiors (appraisers) also receive feedback from the employee about job problems or limited resources such as equipment, materials as well as peer support or cooperation.

To make effective performance appraisals a reality, four criteria need to be present. These are:

1. Employees should be actively involved in the evaluation and development process.
2. Supervisors need to enter performance appraisals with a constructive and helpful attitude.
3. Realistic goals must be mutually set.
4. Supervisors must be aware, and have knowledge of the employee's job and performance.

3.4 OBJECTIVES OF PERFORMANCE APPRAISAL

Performance appraisal has a number of specific objectives. These are given below:

1. To review past performance;
2. To assess training needs;
3. To help develop individuals;
4. To audit the skills within an organizations;
5. To set targets for future performance;
6. To identify potential for promotion.

Some employees may believe that performance appraisal is simply used by the organization to apportion blame and to provide a basis for disciplinary action. They see it as a stick that management has introduced with which to beat people. Under such situations a well thought out performance appraisal is doomed to failure. Even if the more positive objectives are built into the system, problems may still arise because they may not all be achievable and they may cause conflict. For Example, an appraise is less likely to be open about any shortcomings in past performance during a process that affects pay or promotion prospects, or which might be perceived as leading to disciplinary action. It is therefore important that performance appraisal should have specific objective. Not

only should the objectives be clear but also they should form part of the organization's whole strategy. Thus incorporating objectives into the appraisal system may highlight areas for improvement, new directions and opportunities.



3.5 THE PERFORMANCE APPRAISAL PROCESS

Following steps are involved in appraisal process:

1. The appraisal process begins with the establishment of performance standards. These should have evolved out of job analysis and the job description. These performance standards should also be clear and objective enough to be understood and measured. Too often, these standards are articulated in some such phrase as “a full day’s work” or “a good job.” Vague phrases tell us nothing. The expectations a manager has in term of work performance by the subordinates must be clear enough in their minds so that the managers would be able to at some later date, to communicate these expectations to their subordinates and appraise their performance against these previously established standards.
2. Once performance standards are established, it is necessary to communicate these expectations. It should not be part of the employees’ job to guess what is expected of them. Unfortunately, too many jobs have vague performance standards. The problem is compounded when these standards are not communicated to the employees. It is important to note that communication is a two-way street. Mere transference of information from the manager to the subordinate regarding expectations is not communication. Communication only takes place when the transference of information has taken place and has been received and understood by subordinate. Therefore feedback is necessary. Hence the information communicated by the manager has been received and understood in the way it was intended.
3. The Third step in a appraisal process is measurement of performance. To determine what actual performance is, it is necessary to acquire information about it. We should be concerned with how we measure and what we measure. Four common sources of information are frequently used by mangers to measure actual performance: personal observation, statistical reports, oral reports, and written reports. Each has its strengths and weaknesses; however, a combination of them increases both the number of input sources and the probability of receiving reliable information.
4. What we measure is probably more critical to the evaluation process than how we measure. The selection of the wrong criteria can result in serious dysfunctional consequences. What we measure determines, to a great extent, what people in a organization will attempt to excel at. The criteria we choose to measure must represent performance as stated in the first two steps of the appraisal process.
5. The fourth step in the appraisal process is the comparison of actual

performance with standards. The attempt in this step is to note deviations between standard performance and actual performance. One of the most challenging tasks facing managers is to present an accurate appraisal to the subordinate and then have the subordinate accept the appraisal in a constructive manner. The impression that subordinates receive about their assessment has a strong impact on their self-esteem and, very important, on their subsequent performance. Of course, conveying good news is considerably less difficult than conveying the bad news that performance has been below expectations. Thus, the discussion of the appraisal can have negative as well as positive motivational consequences.

6. The final step in the appraisal is the initiation of corrective action when necessary. Corrective action can be of two types; one is immediate and deals predominantly with symptoms. The other is basic and delves into causes. Immediate corrective action is often described as “putting out fires”, where as basic corrective action gets to the source of deviation and seeks to adjust the differences permanently. Immediate action corrects something right now and gets things back on track. Basic action asks how and why performance deviated. In some instances, managers may rationalize that they do not have the time to take basic corrective action and therefore must be content to “perpetually put out fires.”

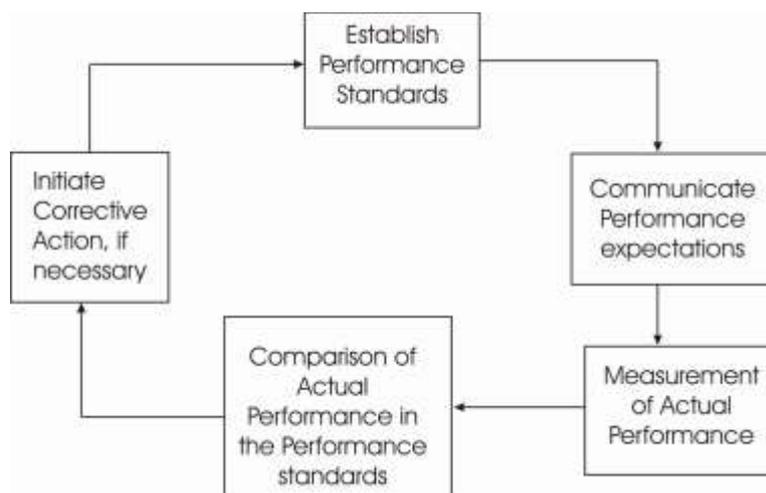


Figure 1: Performance Appraisal Process

3.6 BENEFITS OF PERFORMANCE APPRAISAL

The benefits of an effective appraisal scheme can be summed up under three categories. These are for the organization, for appraiser and for appraisee.

1) *For the Organizations:* Following benefits would accrue to the organization.

1. Improved performance throughout the organization due to more effective communication of the organization’s objectives and values, increased sense of cohesiveness and loyalty and improved relationships between managers



and staff.

2. Improvement in the tasks performed by each member of the staff.
3. Identification of ideas for improvement.
4. Expectations and long-term plans can be developed.
5. Training and development needs can be identified more clearly.
6. A culture of continuous improvement and success can be created and maintained.
7. People with potential can be identified and career development plans can be formulated for future staff requirements.

2) **For the appraiser:** The following benefits would accrue to the appraiser:

1. The opportunity to develop an overview of individual jobs and departments.
2. Identification of ideas for improvements.
3. The opportunity to link team and individual objectives and targets with departmental and organizational objectives.
4. The opportunity to clarify expectations of the contribution the manager expects from teams and individuals.
5. The opportunity to re-prioritize targets.
6. A means of forming a more productive relationship with staff based on mutual trust and understanding.

3) **For the appraisee:** For the appraisee the following benefits would accrue:

1. Increased motivation.
2. Increased job satisfaction.
3. Increased sense of personal value.

Activity A

Assume you are currently operating an appraisal system in your organisation. How will you carry out the same following the above sections.

3.7 PERFORMANCE APPRAISAL METHODS

This section looks at how management can actually establish performance standards and devise instruments that can be used to measure and appraise an employee's performance. A number of methods are now available to assess the performance of the employees.



1) Critical Incident Method

Critical incident appraisal focuses the rater's attention on those critical or key behaviours that make the difference between doing a job effectively and doing it ineffectively. What the appraiser does is write down little anecdotes that describe what the employee did that was especially effective or ineffective. In this approach to appraisal, specific behaviours are cited, not vaguely defined personality traits. A behaviourally based appraisal such as this should be more valid than trait-based appraisals because it is clearly more job related. It is one thing to say that an employee is "aggressive" or "imaginative" or "relaxed," but that does not tell anything about how well the job is being done. Critical incidents, with their focus on behaviours, judge performance rather than personalities. Additionally, a list of critical incidents on a given employee provides a rich set of examples from which the employee can be shown which of his or her behaviours are desirable and which ones call for improvement. This method suffers from following two drawbacks:

1. Supervisors are reluctant to write these reports on a daily or even weekly basis for all of their subordinates as it is time consuming and burdensome for them
2. Critical incidents do not lend themselves to quantification. Therefore the comparison and ranking of subordinates is difficult.

2) Checklist

In the checklist, the evaluator uses a bit of behavioural descriptions and checks of those behaviours that apply to the employee. The evaluator merely goes down the list and gives "yes" or "no" responses. Once the checklist is complete, it is usually evaluated by the staff of personnel department, not the rater himself. Therefore the rater does not actually evaluate the employee's performance; he/she merely records it. An analyst in the personnel department then scores the checklist, often weighting the factors in relationship to their importance. The final evaluation can then be returned to the rating manager for discussion with the subordinate, or someone from the personnel department can provide the feedback to the subordinate.

3) Graphic Rating Scale

One of the oldest and most popular methods of appraisal is the graphic rating scale. They are used to assess factors such as quantity and quality of work, job knowledge, cooperation, loyalty, dependability, attendance, honesty, integrity, attitudes, and initiative etc. However, this method is most valid when abstract traits like loyalty or integrity are avoided unless they can be defined in more specific behavioural terms. The assessor goes down the list of factors and notes that point along the scale or continuum that best describes the employee. There are typically five to ten points on the continuum. In the design of the graphic scale, the challenge is to ensure that both the factors evaluated and the scale points are clearly

understood and unambiguous to the rater. Should ambiguity occur, bias is introduced. Following are some of the advantages of this method:

1. They are less time-consuming to develop and administer.
2. They permit quantitative analysis.
3. There is greater standardization of items so comparability with other individuals in diverse job categories is possible.



4) **Forced Choice Method**

The forced choice appraisal is a special type of checklist, but the rater has to choose between two or more statements, all of which may be favourable or unfavourable. The appraiser's job is to identify which statement is most (or in some cases least) descriptive of the individual being evaluated. To reduce bias, the right answers are not known to the rater. Someone in the personnel department scores the answers based on the key. This key should be validated so management is in a position to say that individuals with higher scores are better-performing employees.

The major advantages of the forced choice method are:

- a) Since the appraiser does not know the “right” answers, it reduces bias.
- b) It looks at over all performance.
- c) It is based on the behaviour of the employees.

5) **Behaviourally Anchored Rating Scales**

These scales combine major elements from the critical incident and graphic rating scale approaches. The appraiser rates the employees based on items along continuum, but the points are examples of actual behaviour on the given job rather than general descriptions or traits. Behaviourally anchored rating scales specify definite, observable, and measurable job behaviour. Examples of job-related behaviour and performance dimensions are generated by asking participants to give specific illustrations on effective and ineffective behaviour regarding each performance dimension. These behavioural examples are then retranslated into appropriate performance dimensions. Those that are sorted into the dimension for which they were generated are retained. The final group of behaviour incidents are then numerically scaled to a level of performance that each is perceived to represent. The incidents that are retranslated and have high rater agreement on performance effectiveness are retained for use as anchors on the performance dimension. The results of the above processes are behavioural descriptions, such as anticipates, plans, executes, solves immediate problems, carries out orders, and handles emergency situations.

This method has following advantages:

1. It does tend to reduce rating errors.
2. It assesses behaviour over traits.
3. It clarifies to both the employee and rater which behaviours connote good

performance and which connote bad.



6) Group Order Ranking

The group order ranking requires the evaluator to place employees into a particular classification, such as “top one-fifth” or “second one-fifth.” Evaluators are asked to rank the employees in the top 5 per cent, the next 5 per cent, the next 15 per cent. So if a rater has twenty subordinates, only four can be in the top fifth and, of course, four must also be relegated to the bottom fifth. The advantage of this method is that it prevent raters from inflating their evaluations so everyone looks good or from homogenizing the evaluations for everyone is rated near the average outcome that are usual with the graphic rating scale. It has following disadvantages:

1. It is not good if the number of employee being compared is small. At the extreme, if the evaluator is looking at only four employees, it is very possible that they may all be excellent, yet the evaluator may be forced to rank them into top quarter, second quarter, third quarter, and low quarter!
2. Another disadvantage, which plagues all relative measures, is the “zero-sum game”: consideration. This means, any change must add up to zero. For example, if there are twelve employees in a department performing at different levels of effectiveness, by definition, three are in the top quarter, three in the second quarter, and so forth. The sixth-best employee, for instance, would be in the second quartile. Ironically, if two of the workers in the third or fourth quartiles leave the department and are not replaced, then our sixth best employee now fit into the third quarter.
3. Because comparison are relative, an employee who is mediocre may score high only because he or she is the “best of the worst” Similarly, an excellent performer who is matched against “stiff” competition may be evaluated poorly, when in absolute terms his or her performance is outstanding.

7) Individual Ranking

The individual ranking method requires the evaluator merely to list all the employees in an order from highest to lowest. Only one can be the “best.” If the evaluator is required to appraise thirty individuals ranking method carries the same pluses and minuses as group order ranking.

8) Paired Comparison

The paired comparison method is calculated by taking the total of $[n(n-1)]/2$ comparisons. A score is obtained for each employee by simply counting the number of pairs in which the individual is the preferred member. It ranks each individual in relationship to all others on a one-on-one basis. If ten people are being evaluated, the first person is compared, with each of the other nine, and the number of items this person is preferred in any of the nine pairs is tabulated. Each of the remaining nine persons, in turn, is compared in the same way, and a ranking

is evolved by the greatest number of preferred “victories”. This method ensures that each employee is compared against every other, but the method can become unwieldy when large numbers of employees are being compared.



9) Management by Objectives

Management by objectives (MBO) is a process that converts organizational objectives into individual objectives. It can be thought of as consisting of four steps: goal setting, action planning, self-control, and periodic reviews:-

1. In goal setting, the organization’s overall objectives are used as guidelines from which departmental and individual objectives are set. At the individual level, the manager and subordinate jointly identify those goals that are critical for the subordinate to achieve in order to fulfil the requirements of the job as determined in job analysis. These goals are agreed upon and then become the standards by which the employee’s results will be evaluated. b) In action planning, the means are determined for achieving the ends established in goals setting. That is, realistic plans are developed to attain the objectives. This step includes identifying the activities necessary to accomplish the objective, establishing the critical relationships between these activities, estimating the time requirement for each activity, and determining the resources required to complete each activity.
2. Self-control refers to the systematic monitoring and measuring of performance. Ideally, by having the individual review his or her own performance. The MBO philosophy is built on the assumptions that individuals can be responsible, can exercise self-direction, and do not require external controls and threats of punishment.
3. Finally, with periodic progress reviews, corrective action is initiated when behaviour deviates from the standards established in the goal-setting phase. Again, consistent with MBO philosophy, these manager-subordinate reviews are conducted in a constructive rather than punitive manner. Reviews are not meant to degrade the individual but to aid in future performance. These reviews should take place at least two or three times a year.

Following are the advantages of MBO:

1. It is result –oriented. It assists the planning and control functions and provides motivation.
2. Employees know exactly what is expected of them and how they will be evaluated.
3. Employees have a greater commitment to objectives that they have participated in developing than to those unilaterally set by their bosses.

10) 360 degree appraisal

The 360 degree feedback process involves collecting perceptions about a person’s



behaviour and the impact of that behaviour from the person's boss or bosses, direct reports, colleagues, fellow members of project teams, internal and external customers, and suppliers. Other names for 360 degree feedback are multi-rater feedback, multi-source feedback, full-circle appraisal, and group performance review. 360 degree feedback is a method and a tool that provides each employee the opportunity to receive performance feedback from his or her supervisor and four to eight peers, subordinates and customers. 360 degree feedback allows each individual to understand how his effectiveness as an employee, co-worker, or staff member is viewed by others. The most effective processes provide feedback that is based on behaviours that other employees can see. The feedback provides insight about the skills and behaviours desired in the organization to accomplish the mission, vision, goals and values. The feedback is firmly planted in behaviours needed to exceed customer expectations.

People who are chosen as raters are usually those that interact routinely with the person receiving feedback. The purpose of the feedback is to:

1. assist each individual to understand his or her strengths and weaknesses.
2. contribute insights into aspects of his or her work needing professional development.

Following are some of the major considerations in using 360 degree feedback. These are basically concerned with how to:

1. select the feedback tool and process;
2. select the raters;
3. use the feedback
4. review the feedback; and
5. manage and integrate the process into a larger performance management system.

Features of 360 degree appraisal

Organizations that are using with the 360 degree component of their performance management systems identify following positive features of the process. These features will manifest themselves in well-managed, well-integrated 360 degree processes.

1. ***Improved Feedback from more sources:*** Provides well-rounded feedback from peers, reporting staff, co-workers, and supervisors. This can be a definite improvement over feedback from a single individual. 360 feedbacks can also save managers' time in that they can spend less energy providing feedback as more people participate in the process. Co-worker perception is important and the process helps people understand how other employees view their work.
2. ***Team Development:*** Helps team members learn to work more effectively together. Team members know more about how other members are performing than their supervisor. Multirater feedback makes team members



more accountable to each other as they share the knowledge that they will provide input on each member's performance. A well-planned process can improve communication and team development.

3. **Personal and Organizational Performance Development:** 360 degree feedback is one of the best methods for understanding personal and organizational developmental needs.
4. **Responsibility for Career Development:** For many reasons, organizations per se are no longer responsible for developing the careers of their employees. Multirater feedback can provide excellent information to individuals about what they need to do to enhance their career. Additionally, many employees feel 360 degree feedback is more accurate, more reflective of their performance, and more validating than feedback from the supervisor along. This makes the information more useful for both career and personal development.
5. **Reduced Discrimination Risk:** When feedback comes from a number of individuals in various job functions, biases because of varying reasons are reduced. The judgemental errors of the supervisors are eliminated as the feedback comes from various sources.
6. **Improved Customer Services:** Feedback process involves the internal or external customer. Each person receives valuable feedback about the quality of his product or services. This feedback should enable the individual to improve the quality, reliability, promptness, and comprehensiveness of these products and services to his/her customers.
7. **Training Needs Assessment:** Multirater feedback provides comprehensive information about organization training needs and thus helps in mounting relevant training programmes. Such programmes add value to the contribution made by the individual employee.

Benefits of 360 degree Appraisal:

Following benefits of 360 degree Appraisal accrue to the individual, team and organization:

To the individual:

1. This process helps individuals to understand how others perceive them
2. It uncovers blind spots
3. It provides feedback that is essential for learning
4. Individuals can better manage their own performance and careers
5. Quantifiable data on soft skills is made available.

To the team:

1. It increases communication between team members



2. It generates higher levels of trust and better communication as individuals identify the causes of breakdowns
3. It creates better team environment as people discover how to treat others and how they want to be treated
4. It supports teamwork by involving team members in the development process
5. It increased team effectiveness.

To the Organization:

1. It reinforces corporate culture and openness and trust
2. It provides better opportunities for career development for employees
3. Employees get growth and promotional opportunities
4. It improves customer service by having customers contribute to evaluation
5. It facilitates the conduct of relevant training programmes.

Activity B

Review the above mentioned methods of Performance Appraisal and evaluate their advantages and disadvantages in the context of your organisation.

3.8 PERFORMANCE COUNSELLING

The main objective of performance counselling is to help the employee to overcome his weaknesses and to reinforce his strengths. In this sense it is a developmental process where the supervisor and the subordinate discuss the past performance with a view to help the subordinate to improve and become more effective in future. Appraisal reports serve as spring board for discussion. One of the fallout effects of this dyadic interaction is the identification of training needs. Counselling provides an opportunity to the supervisor to give feedback to the subordinate on the performance and performance related behaviour. Feedback can be an effective tool provided:

1. Both negative and positive feedbacks are communicated.
2. It is not just an opinion but is backed by data. In other words it should be descriptive and not evaluative.
3. It focuses on behaviour rather than on the individual.
4. It is timely. Delayed feedback is neither helpful nor effective. On the other hand,
5. it might be seen as criticism which may further deteriorate the relationship.



As time passes, details are forgotten and recall may be jeopardized by distortions.

Several conditions for effective counselling are identified. The Following are some of the important ones:

1. A climate of openness and trust is necessary. When people are tense and hostile, attempts should be made to counsel and help rather than be critical.
2. The counsellor should be tactful and helpful rather than critical and fault finding.
3. The subordinate should feel comfortable to participate without any hesitation or inhibition.
4. The focus should be on the work-related problems and difficulties rather than personality or individuals likes, dislikes or idiosyncrasies.
5. It should be devoid of all discussions on salary, reward and punishment. Any discussion on compensation changes the focus from performance improvement to the relationship between performance and reward.

Since counselling is a difficult activity, the supervisor should be specially trained in social competence to handle these aspects of his job. The skill required to do well in these situations is often referred to as the use of non-directive technique. It is a methodology of generating information and using this information to help employees. A sample of non-directive technique could be to start the interview by asking “tell me how you think you are doing”. This provides an environment for the subordinate to talk about his part of the story first. The essential feature is to provide an employee an opportunity to talk and share his experience which the supervisor should be able to listen and then process and provide feedback to him.

One major outcome of performance counselling is identification of the potential of the employee’s skills and abilities not known and utilized by the organization. Potential appraisal is different from performance appraisal as the latter limits evaluation to what the subordinate has done on the job (or his performance) whereas the former on the other hand, seeks to examine what the subordinate can do?. The distinct advantage of a thoroughly carried out potential appraisal are given below:

1. The organizations are able to identify individuals who can take higher responsibilities.
2. It also conveys the message that people are not working in dead-end jobs in the organization.

Activity C

List out the contexts in which Performance Counselling is carried out for a particular employee in your organization.



3.9 PROBLEMS IN PERFORMANCE APPRAISAL

While it is assumed that performance appraisal process and techniques present an objective system it would be naïve to assume, however, that all practicing managers impartially interpret and standardize the criteria upon which their subordinates will be appraised. In spite of our recognition that a completely error-free performance appraisal can only be idealized a number of errors that significantly impede objective evaluation. Some of these errors are discussed below:

1. Leniency Error

Every evaluator has his/her own value system that acts as a standard against which appraisals are made. Relative to the true or actual performance an individual exhibits, some evaluators mark high and others low. The former is referred to as positive leniency error, and the latter as negative leniency error. When evaluators are positively lenient in their appraisal, an individual's performance becomes overstated; that is rated higher than it actually should. Similarly, a negative leniency error understates performance, giving the individuals as lower appraisal.

2. Halo Effect

The halo effect or error is a tendency to rate high or low on all factors due to the impression of a high or low rating on some specific factor. For example, if an employee tends to be conscientious and dependable, the supervisor might become biased toward that individual to the extent that he will rate him/her high on many desirable attributes.

3. Similarity Error

When evaluators rate other people in the same ways that the evaluators perceive themselves they are making a similarity error. Based on the perception that evaluators have of themselves, they project those perceptions onto others. For example, the evaluator who perceives himself or herself as aggressive may evaluate others by looking for aggressiveness. Those who demonstrate this characteristic tend to benefit, while others are penalized.

4. Low Appraiser Motivation

What are the consequences of the appraisal? If the evaluator knows that a poor appraisal could significantly hurt the employee's future particularly opportunities for promotion or a salary increase the evaluator may be reluctant to give a realistic appraisal. There is evidence that it is more difficult to obtain accurate appraisals when important rewards depend on the results.



5. Central Tendency

It is possible that regardless of whom the appraiser evaluates and what traits are used, the pattern of evaluation remains the same. It is also possible that the evaluator's ability to appraise objectively and accurately has been impeded by a failure to use the extremes of the scale, that is, central tendency. Central tendency is the reluctance to make extreme ratings (in either directions); the inability to distinguish between and among rates; a form of range restriction.

6. Recency vs. Primacy Effect

Recency refers to the proximity or closeness to appraisal period. Generally an employee takes it easy for the whole year and does little to get the punishment. However, comes appraisal time, he becomes very active. Suddenly there is an aura of efficiency, files move faster, tasks are taken seriously and the bosses are constantly appraised of the progress and problems. All this creates an illusion of high efficiency and plays a significant role in the appraisal decisions. The supervisor gets railroaded into believing that the employee is alert and hence, rates him high. In reality though it refers only to his two to three month's performance.

The opposite of recency is primacy effect. Here the initial impression influences the decision on year end appraisal irrespective of whether the employee has been able to keep up the initial impression or not. First impression is the last impression is perhaps the most befitting description of this error.

3.10 EFFECTIVE PERFORMANCE APPRAISAL

The issues raised above essentially focus on the problems of reliability and validity of performance appraisal. In other words, how do we know whether what is appraised is what was supposed to be appraised. As long as appraisal format and procedure continues to involve subjective judgment, this question cannot be fully answered and perhaps, will not be answered completely because no matter how objective a system is designed it will continue to be subjective. Perhaps, the following steps can help improve the system.

1. The managers should be told that performance appraisal is an integral part of their job duties and that they themselves would be evaluated on how seriously they have taken this exercise.
2. To help them do this task well, they should be provided systematic training on writing performance reports and handling performance interviews.
3. Conduct job evaluation studies and prepare job descriptions/roles and develop separate forms for various positions in the organization.
4. Design the system as simple as possible so that it is neither difficult to understand nor impossible to practice
5. Generally after the appraisal interview the employee is left alone to improve his performance on the dimensions. The supervisor should monitor now and then whether the improvement in performance in the areas found weak is taking place or not and, if not, help the employee to achieve the required



improvement.

6. Finally, reviewing, the appraisal systems every now and then help updating it, and making suitable evolutionary changes in it. This is the most important factor in making performance appraisal effective. As time passes changes in technology and work environment necessitate changes in tasks, abilities and skills to perform these tasks. If changes in the format are not incorporated the reports may not generate the kind of data needed to satisfy appraisal objectives.

In addition, following can also help in improving the effectiveness of an appraisal:

a) **Behaviourally Based Measures**

The evidence strongly favours behaviourally based measures over those developed around traits. Many traits often considered to be related to good performance may, in fact have little or no performance relationship. Traits like loyalty, initiative, courage, reliability, and self-expression are intuitively appealing as desirable characteristics in employees. But the relevant question is, Are individuals who are evaluated as high on those traits higher performers than those who rate low? Traits like loyalty and initiative may be prized by managers, but there is no evidence to support that certain traits will be adequate synonyms for performance in large cross-section of jobs. Behaviourally derived measures can deal with this objection. Because they deal with specific examples of performance-both good and bad, they avoid the problem of using inappropriate substitutes.

b) **Ongoing Feedback**

Employees like to know how they are doing. The annual review, where the manager shares the subordinates evaluations with them, can become a problem. In some cases, it is a problem merely because managers put off such reviews. This is particularly likely if the appraisal is negative. The solution lies in having the manager share with the subordinate both expectations and disappointments on a day-to-day basis. By providing the employee with frequent opportunities to discuss performance before any reward or punishment consequences occur, there will be no surprises at the time of the annual formal review. In fact, where ongoing feedback has been provided, the formal sitting down step should not be particularly traumatic for either party.

c) **Multiple Raters**

As the number of raters increase, the probability of attaining more accurate information increases. If rater error tends to follow a normal curve, an increase in the number of raters will tend to find the majority congregating about the middle. If a person has had ten supervisors, nine having rated him or her excellent and one poor, we can discount the value of the one poor evaluation.



d) Peer Evaluations

Periodically managers find it difficult to evaluate their subordinates' performance because they are not working with them every day. Unfortunately, unless they have this information, they may not be making an accurate assessment. One of the easiest means is through peer evaluations. Peer evaluations are conducted by employees' co-workers, people explicitly familiar with the jobs involved mainly because they too are doing the same thing, they are the ones most aware of co-workers' day to-day work behaviour and should be given the opportunity to provide the management with some feedback.

The main advantages to peer evaluation are that (a) there is tendency for co-workers to offer more constructive insight to each other so that, as a unit, each will improve; and (b) their recommendations tend to be more specific regarding job behaviours-unless specificity exists, constructive measures are hard to gain.

3.11 SUMMARY

Performance appraisal is concerned with setting objectives for individuals, monitoring progress towards these objectives on a regular basis in our atmosphere of trust and cooperation between the appraiser and the appraisee. Well designed appraisal systems benefit the organisation, managers and individuals in different ways and need to fulfil certain key objectives if they are to be successful. Appraisal systems should be designed to focus employees on both their short and long-term objectives and career goals. It is also important to be aware of the problems associated with performance appraisal systems.

3.12 SELF ASSESSMENT QUESTIONS

1. Explain the Performance Appraisal System. Either suggest improvements to an existing appraisal system in your organisation or design an appraisal system which would meet the objectives outlines in this chapter.
2. Describe the 360 degree appraisal with the help of examples.
3. Write short notes of:
 - Management by objectives
 - Behaviourally Anchored Rating Scale
 - Performance Counselling

3.13 FURTHER READINGS

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Unit 4 Industrial Relations



Objectives

After going through this unit you will be able to:

- Explain the concept, scope, and objectives of industrial relations
- Discuss the functional approaches to industrial relations
- Highlight the influence of theories and models on industrial relations practice

Structure

- 4.1 Introduction
- 4.2 Concept and Scope
- 4.3 Objectives
- 4.4 Multi-Disciplinary Approach
- 4.5 Systems Approach
- 4.6 Dunlop's Approach to Industrial Relations
- 4.7 Oxford Approach
- 4.8 Industrial Sociology Approach
- 4.9 Action Theory Approach
- 4.10 Marxist Approach
- 4.11 Pluralist Approach
- 4.12 Weber's Social Action Approach
- 4.13 Human Relations Approach
- 4.14 Gandhian Approach
- 4.15 Human Resource Management Approach
- 4.16 Theorising Industrial Relations
- 4.17 Summary
- 4.18 Self-Assessment Questions
- 4.19 References
- 4.20 Further Readings

4.1 Introduction

Industrial relations constitute one of the most delicate and complex problems of the modern industrial society which is characterized by rapid change, industrial unrest and conflicting ideologies in the national and international spheres. It is a dynamic concept which depends upon the pattern of society, economic system and political set-up of a country and changes with the changing economic and social order. It is an art of living together for the purposes of production, productive efficiency, human well-being and industrial progress. It comprises of a network of institutions, such as, trade unionism, collective bargaining, employers, the law, and the state, which are bound together by a set of common



values and aspirations. A knowledge of such institutions is important if we are to understand everyday's industrial relations¹ phenomena. These institutions are a social network of organisations, participants, processes and decisions, all of which interact and inter-relate together within the industrial relations environment and even beyond it.

4.2 Concept and Scope

There is no unanimity on the meaning and scope of “industrial relations” since different terms, such as labour-management relations, employer-employee relations, union-management relations, personnel relations, and human relations, are in use and are used synonymously. In its strictest sense, the term “industrial relations” means relationship between management and workmen in a unit or an industry. In its wider connotation, it means the organisation and practice of multi-pronged relationships between workers and management, unions and workers, and the unions and managements in and industry.

Dale Yoder defines it as a “whole field of relationship that exists because of the necessary collaboration of men and women in the employment process of an industry.” Tead and Metcalfe observe that “industrial relations are the composite result of the attitudes and approaches of employers and employees towards each other with regard to planning, supervision, direction and co-ordination of the activities of an organisation with a minimum of human efforts and frictions with an animating spirit of co-operation and with proper regard for the genuine well-being of all members of the organisation.”

According to Allan Flanders, the subject of industrial relations deals with certain regulated or institutionalized relationships in industry. Personal or in the language of sociology, “unstructured” relationships have their importance for management and workers, but they lie outside the scope of a system of industrial relations.”

To put it in a more simple manner, industrial relations is that part of management which is concerned with the manpower of the enterprise. It is, thus, the relations created at different levels of the organisation by the diverse, complex and composite needs, aspirations, attitudes and approaches among the participants. It is a highly complex and dynamic process of relationships involving not only employees and managements, but also their collective forums and the state. In an organisation, these relationships, may be personal and informal at one end, and may be highly institutional with legally prescribed structures and procedures, at the other end.

The four main parties who are actively associated with any industrial relations system are the workers, the managements (employers), the organisations of workers and organization of managements (employers), and the state. New actors like public N.G.Os and International Organisations like ILO, WTO, etc. are also important. Fundamentally, the term industrial relations refers to an organized relationship between two organized parties representing employers and employees regarding matters of collective interest. With the growth of professional management, the industrial relations scene is represented by the representatives of employers and representatives of the employees.

Industrial relations is a comprehensive and total concept embracing the sum total of relationships that exists at various levels of the organisational



structure. More specifically, it connotes relations among workers themselves within the class of employees, relations among the managements within the managerial class, and relations between the two distinct classes of workers and management. It denotes all types of inter-group and intra-group relations within industry, both formal and informal. It consists of a complex network of relations that arise out of functional interdependence between workers and managements and between industrial organisations and society. Industrial relations is a social concept because it deals

with social relationships in different walks of life. It is also a relative concept because it grows and flourishes or stagnates and decays in accordance with the economic, social and political conditions prevailing in a society and the laws made by the state to regulate them. The state of industrial relations is also influenced by the advances made in the field of science and technology. There is greater divergence in industrial relations' systems as a result of the divergent economic, social, political and cultural environments.

4.3 Objectives of Industrial Relations

Apart from the primary objectives of bringing about sound and healthy relations between employers and employees, industrial relations aim:

- to facilitate production and productivity;
- to safeguard the rights and interests of both labour and management by enlisting their co-operation;
- to achieve a sound, harmonious, and mutually beneficial labour-management relations;
- to avoid unhealthy atmosphere in the industry, especially work stoppages, go-slows, gheraos, strikes, lockouts; and
- to establish and maintain industrial democracy.

The state endeavors to correct through effective industrial relations, an imbalanced, disordered, and maladjusted social and economic order with a view to reshaping the complex socio-economic relationships following technological and economic progress. It also controls and disciplines the parties concerned and adjusts their conflicting interests. In this process, it protects some and restrains others, depending upon the situation.

According to Kirkaldy, industrial relations in a country are intimately connected with the form of its political government; and the objectives of an industrial organisation may vary from purely economic to purely political ends. He divides the objectives of industrial relations into four categories:

- improvement in the economic conditions of workers in the existing state of industrial management and political government;



- control exercised by the state over industrial undertakings with a view to regulating production and promoting harmonious industrial relations;
- socialization or rationalization of industries by making the state itself a major employer; and
- vesting of a proprietary interest of the workers in the industries in which they are employed.

The industrial relations objectives must facilitate the business objectives of an organisation. In this context, the industrial relations policies and practices should not negate its intentions in other areas. For instance, if a company wishes to encourage voluntary retirement, its salaries, pensions, working conditions and so on should not encourage its employees to stay at all costs.

4.4 Multi-Disciplinary Approach

The problems posed in the field of industrial relations cannot be solved within the limits of a single discipline, and hence it is bound to be inter-disciplinary in approach. It is an interdisciplinary field that includes inputs from sociology, psychology, law, history, politics, economics, accounting and other elements of management studies. Industrial relations, then, has a dual character, it is both an interdisciplinary field and a separate disciplinary in its own right (Adams 1988). It is much more of an art than it is a science. Industrial relations is largely an applied field concerned with practice and the training of practitioners rather than with theory and measurement. It is thus related to the basic social sciences as engineering is to the physical sciences or medicine is to the biological sciences.

Any problem in industrial relations has to be approached on a multi-disciplinary basis, drawing from the contributions of different disciplines. The causes of an industrial dispute may be, by nature, economic, social, psychological or political or a combination of any of them. Labour economics provides an economic interpretation of the problems growing out of employer-employee relationship. Industrial sociology explains the social background of the workers, which is essential for the understanding of industrial relations. Industrial psychology clarifies certain concepts and provides empirical tools in areas such as recruitment, placement, training, fatigue and morale. For instance, attitudes and morale surveys are powerful tools to discover causes of industrial strife and evolve methods for their prevention. Labour laws and their interpretation by tribunals and courts contribute to the growth of industrial jurisprudence. Application of quantitative analysis and labour statistics throws light on the exact state of industrial relations during a particular period. Political aspects also assume importance in industrial relations, particularly in a developing economy dominated by centralised planning. In fact, the growth of industrial relations as a scientific discipline depends upon the extent to which it integrates the contribution of established disciplines in the social sciences.

4.5 Systems Approach

There is no country where industrial relations is entirely a matter of tradition or custom nor is there a country where the employers, the workers or their



organisations and the government do not at all interact to build up the country's industrial relations system. It has been a mixture of traditions, customs and a web of action, reaction and interaction between the parties. The industrial relations system may be conceived at different levels, such as national, regional, industrial and workplace. The concept of the system has been influential in establishing industrial relations as a discipline in its own right. The concepts of the systems approach are operationally definable.

An industrial relations system may be defined as comprising the totality of power interactions of participants in a workplace, when these interactions involve industrial relations issues. It is viewed as an integral and non-separable part of the organizational structure and its dynamics. Regardless of the level at which the system exists, an industrial relations system can be viewed as having three components: (1) a set of individuals and institutions that interact; (2) a context within which the interaction takes place; and (3) an output that serves to govern the future relationship of the parties. The components of industrial relations system are:

- (i) **Participants:** The participants in the industrial relations sphere are composed of duly recognised representatives of the parties interacting in several roles within the system.
- (ii) **Issues:** The power interactions of the participants in a workplace create industrial relations issues. These issues and the consequences of power interactions find their expression in a web of rules governing the behavior of the parties at a workplace.
- (iii) **Structure:** The structure consist of all forms of institutionalized behavior in a system. The structure may include collective procedures, such as, grievances settlement practices. Legal enactments relevant to power interactions may also be considered to be a part of the structure.
- (iv) **Boundaries:** In systems analysis, it is possible to find an issue which one participant is totally indifferent to resolving while, at the same time, the other participant is highly concerned about resolution of the same. These issues may serve to delimit systems boundaries.

At least there are three marked features of the systems approach. They are:

- (i) **Inter-disciplinary Character:** Some theorists regard the systems approach to be universally applicable to all human relationships, in small or large units. Its flexibility of application in the behavioural sciences has been aptly demonstrated.
- (ii) **Suitability to Work Organisation and their Sub-systems:** The adaptability of the systems approach to organisation is also a frequently discussed trait. This springs from the fact that organisations, and to some extent their sub-systems are rational and purposeful.
- (iii) **Dynamic Aspects:** A systems approach is oriented towards the study of interactions and changing relations.

4.6 Dunlop's Approach to Industrial Relations

A number of writers have attempted to produce various models or designs for an industrial relations system. Among the contributions, the most outstanding has been that of Prof. Dunlop of Harvard University. His systems treatment

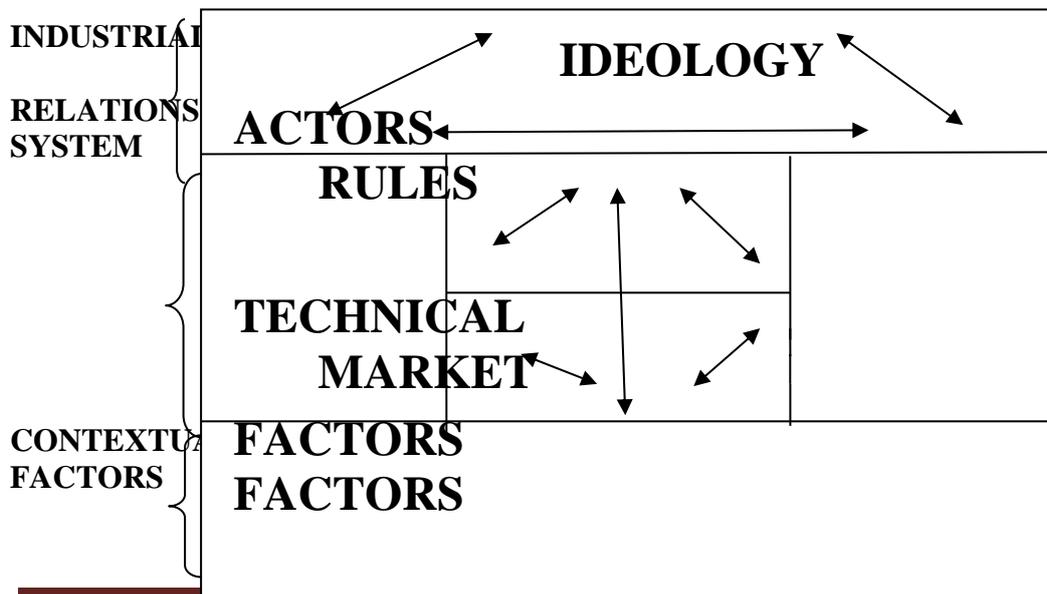


deserves special mention in view of its wider applicability. His book Industrial Relations Systems (1958) was a pioneering volume in which he presented an analytical framework of industrial relations. The stated purpose of this book is to present a general theory of industrial relations and “to provide tools of analysis to interpret and to gain understanding of the widest possible range of industrial relations facts and practices.”⁶

Dunlop’s approach was designed to broaden the industrial relations horizon from collective bargaining to the full spectrum of present-day industrial relations. His analysis of industrial relations system could be viewed as radical departure from previous approaches, which had tended to regard the subject as a specialized application of other disciplines such as economics, law, psychology, sociology, history and organisation theory. Unlike the earlier approaches which were largely historical and descriptive, his model was a pioneering attempt at evolving a theoretical core of industrial relations with a set of analytical tools.

Dunlop has laid down a generalized industrial relations framework which, according to him, “is designed to be applicable at once to three broad areas of industrial relations experience,

namely, (i) industrial relations within an enterprise, industry or other segment of a country and a comparison among such sectors; (ii) industrial relations within a country as a whole and a comparison among countries; and (iii) industrial relations as a totality in the course of economic development.” He has applied this framework to the coal and construction industries and also gave an account of one national industrial relations system, namely, Yugoslavia.



←————→ **Denotes Interrelations**



Figure 1. : The Conceptualisation of an Industrial Relations System

Dunlop defines an industrial relations system in the following way:

An industrial- relations system, at any one time in its development is regarded as comprised of certain actors, certain contexts, an ideology which binds the industrial-relations system together, and a body of rules created to govern the actors at the workplace and work community. There are three sets of independent variables: The ‘actors’, the ‘contexts’ and the ‘ideology’ of the system.

The Actors in a System

The actors are: (a) hierarchy of managers and their representatives in supervision, (b) a hierarchy of workers (non-managerial) and any spokesmen, and (c) specialized governmental agencies (and specialized private agencies created by the first two actors) concerned with workers, enterprises, and their relationships. these first two hierarchies are directly related to each other in that the managers have responsibilities at varying levels to issue instructions (manage), and the workers at each corresponding level have the duty to follow such instructions. the formal hierarchy of workers may be organized into several competing or complementary organisations, such as, works councils, unions and parties. The specialised government agencies as actors may have functions in some industrial relations systems so broad and decisive as to override the hierarchies of managers and workers on almost all matters. In other industrial relations systems, the role of the specialised governmental agencies, at least for many purposes, may be minor or constricted.

The Contexts of a System

In an industrial relations system, the contexts or the determinants are of greater importance. The significant aspects of the environment in which the actors interact are the technological characteristics of the workplace and work community, the market or budgetary constraints which impinge on the actors, and the locus and distribution of power in the larger society.

The technological features of the workplace have a very far-reaching consequence for an industrial relations system influencing the form of management and employee organisation. For instance, the mining industry has a different technological context as compared to the manufacturing industry. Their place of work, the methods of work, and the mode of living have profound influence on evolving a particular pattern of industrial relations system. The mining communities have frequently been isolated from important urban areas and create special problems in human relations. Historically, this raises a range of questions concerning housing, community services and welfare activities which are frequently beyond the rules of workplace in many other sectors. Apart from the characteristics of the workplace, the development of technology also affects industrial relations by way of not only disturbing the existing employment patterns, but also by determining the size of the workforce employed.

The market or budgetary constraints are a second feature of the environmental context which is fundamental to an industrial relations system.



These constraints are of a particular nature and operate directly upon the managerial hierarchy. The context may be a market for the output of the enterprise or a budgetary limitation or some combination of the two. The product market may vary in the degree and character of competition through the full spectrum from pure competition, monopolistic competition and product differentiation, to oligopoly and monopoly. The relevant market or budgetary constraints may be local, national, or international, depending on the industrial relations system.

The locus and distribution of power in the larger society, of which the particular industrial relations complex is a sub-system, is a third analytical feature of the environmental context. The relative distribution of power among the actors in the larger society tends to a degree to be reflected within the industrial relations system. At this juncture, the concern is not with the distribution of power within the industrial relations system, the relative bargaining powers among the actors, or their controls over the processes of interaction or rule setting. Rather the concern is to the distribution of power outside the industrial relations system which is given to that system. It is, of course, possible that the distribution of power within the industrial relations system corresponds exactly to that within the contextual society. But that need not be so, as there are numerous instances of conflict between economic power within an industrial relations system and political power within a society. The function of one of the actors in the industrial relations system, the specialised governmental agencies, is likely to be particularly influenced by the distribution of power in the larger society.

The Ideology of an Industrial System

The ideology is a philosophy or a systematized body of beliefs and sentiments held by the actors. An important element which completes the analytical system of industrial relations is the ideology or a set of ideas and beliefs commonly held by the actors that help to bind or to integrate the system together as an entity. Each industrial relations system contains its ideology or shared understandings. The ideology defines the role and place of each actor and the ideas which each actor holds toward the place and function of the others in the system. Each of the actors in an industrial relations system may be said to have its own ideology. An industrial relations system requires that these ideologies be sufficiently compatible and consistent so as to permit a common set of ideas which recognise an acceptable role for each actor.

The Establishment of Rules

The actors in a given context establish rules for the workplace and the work community, including those governing the contracts among the actors in an industrial relations system. This network or web of rules consists of procedures for establishing rules, the substantive rules, and procedures for deciding their application to particular situations. The establishment and administration of these procedures and rules is the centre of attention in an industrial relations system.



The actors who set the web of rules interact in the context of an industrial relations system taken as a whole. These rules are broadly grouped into three categories: (i) rules governing compensation in all its forms; (ii) the duties and performance expected from workers, including rules of discipline for failure to achieve these standards; and (iii) rules defining the rights and duties of workers. The rules change in response to change in the contexts and relative status of the actors. The actors who set the rules may be workers and their unions representing one category; employers, managers and their associations constituting a second category; and government in the third category consisting of civil servants concerned with the administration of labour matters.

In short, Dunlop's industrial relations system is an analytical enquiry into the structure and process of the dynamics of relations between management, workers and the government. It can be viewed as an analytical sub-system of the more general total social system of an industrial society. Such a society is affected by a number of external influences, international relations, global conflicts, dominant socio-political thoughts abroad, and operation of international bodies like the I.L.O. Within the country, economic, socio-political and technological factors, existing and emergent influence the inter-relationships between the parties. These interactions lead to a formulation of a web of rules which govern the behavior of the actors in the industrial relations system. These interactions take place in an environment composed of economic constraints and opportunities and technological development and power relations in the social structure. The power relations determine from time to time the status of the employers in society, that of the workers within the social system, and the relative dynamism or passivity of the government's role in regulating labour-management relations.

Dunlop's formulation and application of the concept of industrial relations system has been criticized on the grounds: (i) that it is essentially a non-dynamic model of industrial relations from which it is difficult to explain industrial relations change; (ii) that it tends to ignore the essential element of all industrial relations, that of the nature and development of conflict itself; (iv) that it focuses on formal rules, to the neglect of important informal rules and informal processes; (v) that it may not be integrated, and it is problematic whether or not the actors share a common ideology; (vi) that it fails to give an account of how inputs into the system are converted into outputs; (vii) that it is environmentally biased, and provides no articulation between the "internal" plant level systems and the wider systems; (viii) that it favours an analytical approach based on comparison rather than a problem solving approach built on description; and (ix) that it makes no special provision for the role of individual personalities in industrial relations as the actors are being viewed in a "structural" rather than in a "dynamic" sense.

The Trusteeship Theory of Mahatma Gandhi – workers as share holder

Activity A



Choose an industry with which you are familiar and use Dunlop’s framework to describe the industrial relations system that exists there.

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4.7 Oxford Approach

According to this approach, the industrial relations system is a study of institutions of job regulations and the stress is on the substantive and procedural rules as in Dunlop’s model. Flanders, the exponent of this approach, considers every business enterprise as a social system of production and distribution, which has a structured pattern of relationships. The “institution of job regulation” is categorised by him as internal and external – the former being an internal part of the industrial relations system such as code of work rules, wage structure, internal procedure of joint consultation, and grievance procedure. He views trade unions as an external organisation and excludes collective agreements from the sphere of internal regulation. According to him, collective bargaining is central to the industrial relations system.

The “Oxford Approach” can be expressed in the form of an equation:

$$r = f (b) \text{ or } r = f (c)$$

- where, r = the rules governing industrial relations
- b = collective bargaining
- c = conflict resolved through collective bargaining.

The “Oxford Approach” can be criticised on the ground that it is too narrow to provide a comprehensive framework for analysing industrial relations problems. It overemphasises the significance of the political process of collective bargaining and gives insufficient weight to the role of the deeper influences in the determination of rules. Institutional and power factors are viewed as of paramount importance, while variables such as technology, market, status of the parties, and ideology, are not given any prominence. This narrowness of approach constitutes a severe limitation.

4.8 Industrial Social Approach

G. Margerison, an industrial sociologist, holds the view that the core of industrial relations is the nature and development of the conflict itself. Margerison argued that conflict is the basic concept that should form the basis of the study of industrial relations. The author criticised the prevalent approach to industrial relations, which was more concerned with studying the resolution of industrial conflict than its generation; with the consequences of industrial disputes than on



their causes. According to this school of thought, there are two major conceptual levels of industrial relations. One is the intra-plant level where situational factors, such as job content, work task and technology, and interaction factors produce three types of conflict – distributive, structural, and human relations. These conflicts are being resolved through collective bargaining, structural analysis of the socio-technical systems and man-management analysis respectively. The second level is outside the firm and, in the main, concerns with the conflict not resolved at the intra-organisational level. However, this approach rejects the special emphasis given to rule determination by the “systems and Oxford models”. In its place, it suggests a method of inquiry, which attempts to develop sociological models of conflicts.

4.9 Action Theory Approach

Like the systems model, the action theory approach takes the collective regulation of industrial labour as its focal point. The actors operate within a framework, which can at best be described as a coalition relationship. The actors, it is claimed, agree in principle to cooperate in the resolution of the conflict, their cooperation taking the form of bargaining. Thus, the action theory analysis of industrial relations focuses primarily on bargaining as a mechanism for the resolution of conflicts. Whereas the systems model of industrial relations constitutes a more or less comprehensive approach, it is hardly possible to speak of one uniform action theory concept.

4.10 Marxist Approach

The class conflict analysis of industrial relations derives its impetus from Marxist social thinking and interpretation. Marxism is essentially a method of social enquiry into the power relationships of society and a way of interpreting social reality. The application of Marxian theory as it relates to industrial relations derives indirectly from later Marxist scholars rather than directly from the works of Marx himself. Industrial relations, according to Marxists, are in the first instance, market-relations. To Marxists, industrial relations are essentially politicized and part of the class struggle. For Marxists industrial and employee relations can only be understood as part of a broader analysis of capitalist society in particular the social relations of production and the dynamics of capital accumulation. As Marx himself put it, “the mode of production in material life determines the general character of the social, political and spiritual process of life.”

The Marxist approach is primarily oriented towards the historical development of the power relationship between capital and labour. It is also characterised by the struggle of these classes to consolidate and strengthen their respective positions with a view to exerting greater influence on each other. In this approach, industrial relations is equated with a power-struggle. The price payable for labour is determined by a confrontation between conflicting interests. The capitalist ownership of the enterprise endeavours to purchase labour at the lowest possible price in order to maximise their profits. The lower the price paid by the owner of the means of production for the labour he employs, the greater is his profit. The



Marxist analysis of industrial relations, however, is not a comprehensive approach as it only takes into account the relations between capital and labour. It is rather, a general theory of society and of social change, which has implications for the analysis of industrial relations within what Marxists would describe as capitalist societies.

4.11 Pluralist Approach

Pluralism is a major theory in labour-management relations, which has many powerful advocates. The focus is on the resolution of conflict rather than its generation, or, in the words of the pluralist, on 'the institutions of job regulation.' Kerr is one of the important exponents of pluralism. According to him, the social environment is an important factor in industrial conflicts. The isolated masses of workers are more

strike-prone as compared to dispersed groups. When industrial jobs become more pleasant and employees' get more integrated into the wider society, strikes will become less frequent. Ross and Hartman's cross national comparison of strikes postulates the declining incidents of strikes as societies industrialise and develop appropriate institutional framework. They claim that there has been a decline in strike activity all

over the world in spite of an increase in union membership. The theories on pluralism were evolved in the mid-sixties and early seventies when England witnessed a dramatic resurgence of industrial conflicts. However, the recent theories of pluralism emanate from British scholars, and in particular from Flanders and Fox. According to Flanders, conflict is inherent in the industrial system. He highlighted the need for a formal system of collective bargaining as a method of conflict resolution.

Fox distinguishes between two distinct aspects of relationship between workers and management. The first is the market relationship, which concerns with the terms and conditions on which labour is hired. This relationship is essentially economic in character and based on contracts executed between the parties. The second aspect relates to the management's dealing with labour, the nature of their interaction, negotiations between the union and management, distribution of power in the organisation, and participation of the union in joint decision-making. The major critics of the pluralist approach are the Marxists according to whom exploitation and slavery will continue unabated in the institutional structure of pluralism. The only difference is that in such a social structure, the worker will be deemed to be a better-paid wage slave.

4.12 Weber's Social Action Approach

The social action approach of Weber has laid considerable importance to the question of control in the context of increasing rationalisation and bureaucratisation. Closely related to Weber's concern related to control in organisations was his concern with "power of control and dispersal". Thus a trade union in the Weber's scheme of things has both economic purposes as well as the goal of involvement in political and power struggles. Some of the major orientations in the Weberian approach have been to analyse the impact of techno-



economic and politico-organisational changes on trade union structure and processes, to analyse the subjective interpretation of workers' approaches to trade unionism and finally to analyse the power of various components of the industrial relations environment – government, employers, trade unions and political parties. Thus the Weberian approach gives the theoretical and operational importance to “control” as well as to the power struggle to control work organisations – a power struggle in which all the actors in the industrial relations drama are caught up.

4.13 Human Relations Approach

In the words of Keith Davies, human relations are “the integration of people into a work situation that motivates them to work together productively, cooperatively and with economic, psychological and social satisfactions.” According to him, the goals of human relations are: (a) to get people to produce, (b) to cooperate through mutuality of interest, and (c) to gain satisfaction from their relationships. The human relations school founded by Elton Mayo and later propagated by Roethlisberger, Whitehead, W.F. Whyte, and Humans offers a coherent view of the nature of industrial conflict and harmony.

The human relations approach highlights certain policies and techniques to improve employee morale, efficiency and job satisfaction. It encourages the small work group to exercise considerable control over its environment and in the process helps to remove a major irritant in labour-management relations. But there was reaction against the excessive claims of this school of thought in the sixties. Some of its views were criticised by Marxists, pluralists, and others on the ground that it encouraged dependency and discouraged individual development, and ignored the importance of technology and culture in industry. Taking a balanced view, however, it must be admitted that the human relations school has thrown a lot of light on certain aspects such as communication, management development, acceptance of workplace as a social system, group dynamics, and participation in management.

4.14 Gandhian Approach

Gandhiji can be called one of the greatest labour leaders of modern India. His approach to labour problems was completely new and refreshingly human. He held definite views regarding fixation and regulation of wages, organisation and functions of trade unions, necessity and desirability of collective bargaining, use and abuse of strikes, labour indiscipline, workers participation in management, conditions of work and living, and duties of workers. The Ahmedabad Textile Labour Association, a unique and successful experiment in Gandhian trade unionism, implemented many of his ideas.

Gandhiji had immense faith in the goodness of man and he believed that many of the evils of the modern world have been brought about by wrong systems and not by wrong individuals. He insisted on recognising each individual worker as a human being. He believed in non-violent communism, going so far as to say that “if communism comes without any violence, it would be welcome.”



Gandhiji laid down certain conditions for a successful strike. These are: (a) the cause of the strike must be just and there should be no strike without a grievance; (b) there should be no violence; and (c) non-strikers or “blacklegs” should never be molested. He was not against strikes but pleaded that they should be the last weapon in the armoury of industrial workers and hence should not be resorted to unless all peaceful and constitutional methods of negotiations, conciliation and arbitration are exhausted.

His concept of trusteeship is a significant contribution in the sphere of industrial relations. According to him, employers should not regard themselves as sole owners of mills and factories of which they may be the legal owners. They should regard themselves only as trustees, or co-owners. He also appealed to the workers to behave as trustees, not to regard the mill and machinery as belonging to the exploiting agents but to regard them as their own, protect them and put to the best use they can. In short, the theory of trusteeship is based on the view that all forms of property and human accomplishments are gifts of nature and as such, they belong not to any one individual but to society. Thus, the trusteeship system is totally different from other contemporary labour relations systems. It aimed at achieving economic equality and the material advancement of the “have-nots” in a capitalist society by non-violent means.

Gandhiji realised that relations between labour and management can either be a powerful stimulus to economic and social progress or an important factor in economic and social stagnation. According to him, industrial peace was an essential condition not only for the growth and development of the industry itself, but also in a great measure, for the improvement in the conditions of work and wages. At the same tune, he not only endorsed the workers’ right to adopt the method of collective bargaining but also actively supported it. He advocated voluntary arbitration and mutual settlement of disputes. He also pleaded for perfect understanding between capital and labour, mutual respect, recognition of equality, and strong labour organisation as the essential factors for happy and constructive industrial relations. For him, means and ends are equally important.

4.15 Human Resource Management Approach

The term, human resource management (HRM) has become increasingly used in the literature of personnel/industrial relations. The term has been applied to a diverse range of management strategies and, indeed, sometimes used simply as a more modern, and therefore more acceptable, term for personnel or industrial relations management. Some of the components of HRM are: (i) human resource organisation; (ii) human resource planning; (iii) human resource systems; (iv) human resource development; (v) human resource relationships; (vi) human resource utilisation; (vii) human resource accounting; and (viii) human resource audit. This approach emphasises individualism and the direct relationship between management and its employees. Quite dearly, therefore, it questions the collective regulation basis of traditional industrial relations.

4.16 Theorising Industrial Relations



Basically, there are two main stands in theorizing industrial relations. One group (externalists) lays emphasis on environmental factors like state of technology, methods of production, supply and demand in the product market and in the labour market, and legal-political relationships. The environmental theorists have been primarily economists and to a smaller extent, lawyers, political scientists and sociologists. They lay emphasis on the nexus between broad environmental changes and employer-employee relations. John Dunlop is a noted exponent of the externalist theories. The other group (internalists) stress on cause and effect relationship stemming primarily from factors endogenous to the plant. The in-plant theories of internalists have their origin in the “human relations school” propounded, among others, by Elton Mayo, Roethlisberger, and Dickson. These theorists stress on employee motivation, attitudes and morale, styles of supervision and forms of management leadership. These theories have been significantly enriched by the additional dimensions provided by organisational behavior theorists who are customarily psychologists. Both schools of thought have lengthy traditions in industrial relations literature. A full-fledged theory of industrial relations required an integration of both, the approaches of externalists and internalists.

The subject of industrial relations has undergone several changes because of vital contributions made by a number of disciplines. In developing theoretical models in industrial relations, it becomes necessary to appreciate the contributions made by various social scientists. Such models can be used for analyzing concrete situations and to build a systematic and comprehensive theory of industrial relations. A general theory of industrial relations must incorporate both the conflictive and consensus factors; must be able to trace sequences of change over a period of time; must have some prospective application for outlining possible futures; and must focus attention on solving problems.

The practitioners of industrial relations consider theory as the opposite of practice. Nevertheless, any systematic practice implies some theory. Dunlop complained of the lack of theory in the field of industrial relations; many practitioners would applaud its absence. There is nothing so practical as a good theory. There are many instances of the influences of theories on practice. Ricardo’s “iron law of wages” was used to argue against raising wages. Early in the 20th century, legal concepts relating to civil law and order were applied in the establishment of compulsory arbitration of industrial disputes in New Zealand and Australia. To be useful in practice, the industrial relations theory must go further than merely codifying practice and cope with the multi-dimensional character of industrial relations.

One of the major objectives of theorizing industrial relations is to help the practitioners to understand what is taking place and causes for the same. Industrial relations theory might be useful to practitioners if it could help them in three respects:



First, to understand the present industrial relations situation. Understanding what is happening is the first step in tackling a situation. If a theory can bring some degree of order into perceptions of current events, it can be helpful in promoting orderly thinking.

Second, to forecast trends and to predict what will happen under specific given conditions. A complete understanding of the present situation should make it possible in principle to forecast trends and foresee its probable evolution. The more industrial relations theory enables such forecasting, the more useful it will be to the practitioners.

Third, to help the practitioners to bring about certain desired changes and to avoid certain other changes in the present or in the future state of industrial relations.

One of the most difficult attempts in industrial relations is to build up a theory and to generalize on its activity which is highly dynamic. A host of factors, both internal and external, and conflict generating as well as conflict resolving factors, influence the shape of industrial relations activity. The industrial relations system in an organisation works in the context of pressures, tensions and conflicts, and is mainly related to power politics, economic, cultural and other differences. An intermix of such dynamic factors and key institutional variables is necessary in theorizing industrial relations.

Activity B

What are the steps you would take to ensure healthy industrial relations to facilitate production and productivity?

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4.17 Summary

- The term “industrial relations” refers to the complexity of human relationships, which emerge in work situations.
- The subject of industrial relations deals with certain regulated and institutionalised relationships in industry.
- The employment relationship in any work situation provides the setting for industrial relations.
- With this objective, the workers as a group form trade unions, the employers form their own associations, and the state provides institutions for the regulating of relations.



- The field of industrial relations has a multi-disciplinary base that draws upon concepts from the established disciplines in social sciences, such as economics, sociology, and psychology.
- These disciplines have developed theories of industrial relations, but they differ considerably in their theoretical framework and practical application.
- The theorizing in this field has developed in the direction of (a) environmental or external theories, and (b) internalists or in-plant theories.
- The prominent contribution to the industrial relations literature is the ‘systems’ approach developed by John T. Dunlop who views industrial relations system as a sub-system of society.
- The major participants in the field of industrial relations are the workers and their organisations.

4.18 Self-Assessment Questions

1. Discuss the meaning and scope of industrial relations.
2. Critically examine the Dunlop’s approach to industrial relations.

4.19 References

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4.20 Further Readings

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