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P.G.P.A.

PAPER 3

MODULES : I-IV

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ST. JOHN'S COLLEGE

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PREFACE

In the curricular structure introduced by this University for students of Post-Graduate degree programme, the opportunity to pursue Post Graduate course in a Subjects as introduced by this University is equally available to all learners. Instead of being guided by any presumption about ability level, it would perhaps stand to reason if receptivity of a learner is judged in the course of the learning process. That would be entirely in keeping with the objectives of open education which does not believe in artificial differentiation.

Keeping this in view, study materials of the Post-Graduate level in different subjects are being prepared on the basis of a well laid-out syllabus. The course structure combines the best elements in the approved syllabi of Central and State Universities in respective subjects. It has been so designed as to be upgradable with the addition, of new information as well as results of fresh thinking and analysis.

The accepted methodology of distance education has been followed in the preparation of these study materials. Co-operation in every form of experienced scholars is indispensable for a work of this kind. We, therefore, owe an enormous debt of gratitude to everyone whose tireless efforts went into the writing, editing and devising of a proper lay-out of the materials. Practically speaking, their role amounts to an involvement in 'invisible teaching'. For, whoever makes use of these study materials would virtually derive the benefit of learning under their collective care without each being seen by the other.

The more a learner would seriously pursue these study materials the easier it will be for him or her to reach out to larger horizons of a subject. Care has also been taken to make the language lucid and presentation attractive so that they may be rated as quality self-learning materials. If anything remains still obscure or difficult to follow, arrangements are there to come to terms with them through the counselling sessions regularly available at the network of study centres set up by the University.

Needless to add, a great deal of these efforts are still experimental-in fact, pioneering in certain areas. Naturally, there is every possibility of some lapse or deficiency here and there. However, these do admit of rectification and further improvement in due course. On the whole, therefore, these study materials are expected to evoke wider appreciation the more they receive serious attention of all concerned.

Professor (Dr.) Subha Sankar Sarkar
Vice-Chancellor

PREFACE

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Paper-III

Module - I

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Paper III

Module II, III, IV

Course Writing
Post Graduate Class

Editing

Post Graduate Class

Module - I

Course Writing
Post Graduate Class

Notification

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UNIT 1 □ BASIC CONCEPTS

Structure

- 1.1. Concept of Human Resources Management**
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1.1 CONCEPT OF HUMAN RESOURCES MANAGEMENT

Since the 1980s the nature of Personnel Management is undergoing change and personnel function is shifting the locus of its focus. Amongst personnel specialists, the term, 'Personnel Management' is being substituted by that of 'Human Resources Management'. It is felt that Personnel Management is being directed mainly at company employees and is not being completely identified with managerial needs.

Personnel men have all along been mediating in between the management and the employees communicating the needs of each other. To maintain credibility with employees, mediating personnel men have to look after their welfare. At the same time to justify their existence with management, they must show to their managers, a concern for the efficiency of labour utilisation as well as ensure that staff interests are always subservient to those of organisational effectiveness.

Human Resources Management, by contrast, is directed mainly towards managerial needs for people resources in organisations, with greater emphasis being placed on planning, monitoring and control rather than on problem solving and mediation. Whereas traditional Personnel Management is committed to the idea that employees' needs should be looked after, since employees are effective only when their needs are satisfied, Human Resources Management reflects a different set of beliefs. These are, that deploying of human resources in correct numbers with the right skills at the right price is more important than a patronizing involvement with people's personal affairs.

HRM (Human Resources Management) is significantly different from Personnel Management. HRM is proactive rather than reactive, is system-wide rather than piecemeal, treats labour as social capital rather than as a variable cost, is goal-oriented rather than relationship-oriented and is ultimately based on commitment rather than compliance.

Torrington has argued that Personnel Management has grown through assimilating a number of additional emphases to produce an ever-richer combination of expertise. HRM is no revolution but a further dimension to a multi-faced role. While Personnel Management is supply-driven, HRM is demand-driven.

Personnel Management is directed mainly at the employees of the organisation-finding and training them, arranging their pay and contracts of employment, explaining what is expected of them, justifying what the management is doing and trying to modify any management action that could produce an unwelcome response from the employees. In contrast, the HRM starts not from the organisation's employees, but from the organisation's need for human resources; with demand rather than the supply.

At first sight, a revolution seems to be taking place in Personnel Management all over the world. Not only are there major changes in practice which go far beyond the choice of this or that technique, there is also said to be a paradigm shift occurring in the thinking on Personnel Management which shows a new theoretical sophistication. The new paradigm seems capable of both describing and explaining the changes in practice and of providing the rationale for elevating Personnel Management or to use the more modern term, HRM to strategic importance in the running of organisations. Basically, it sees management, faced with ever increasing competition in the context of the globalization of the economy, forced to rethink the sources of competitive advantage and to make strategic choices about future directions.

1.2 PRINCIPLES UNDERLYING HUMAN RESOURCES MANAGEMENT

The starting point of Human Resources Management is the recognition that people are not simply one of the factors of production like money or machinery but the major source of competitive advantage. How companies recruit, train, reward, motivate and discipline their employees is of crucial importance to business success. An important corollary is that there has to be a fundamental change in the traditional methods of managing men.

A HRM philosophy emerges wherever people are perceived, not as a cost of doing business but as the only resource capable of turning inanimate factors of production into wealth. People provide the source of creative energy in any direction the organisation dictates and fosters. HRM which has a base in behavioural sciences, is concerned with the induction and development of individual employees and enhances the performance and productivity of the organisation.

Keith Sisson applies the term HRM in the most general sense to refer to the policies, procedures and processes involved in the management of people in work organisation. Sisson suggests that there are four main features increasingly associated with HRM.

Sisson's Features of HRM

- (i) A stress on the integration of personnel policies with business planning.
- (ii) The locus of responsibility for Personnel Management no longer resides with specialist managers but is now assumed by senior line management.
- (iii) The focus shifts from management-trade union relations to management-employee relations, from collectivism to individualism.
- (iv) There is a stress on commitment and the exercise of initiative, with managers now donning the role of 'enabler', 'empowered' and 'facilitator'.

The first point suggests that HRM is not only a strategic activity in itself, but one which is now central to the achievement of business objectives; the human resource is now recognised and utilised as the most valuable of all organisational assets. The second point identifies the need for personnel managers to 'give away' responsibility for the management of human assets to senior (line) management.

Features of Traditional Taylorist Methods :

There are three main features of the traditional Taylorist methods. The first is hierarchy in which there is a separation of decision making from doing, and in which the few at the top give orders to the many below.

The second is bureaucracy, i.e., a system of explicit rules and procedures which are designed to achieve control and compliance of subordinates to the orders of those who command organisations.

The third is specialisation in which functions, jobs and tasks are broken down and defined narrowly in the belief that this brings the greatest efficiency.

The traditional methods in the present context are dysfunctional. The reasons are the changing context of business. In place of Taylorism, total quality management, *kaizen* or continuous improvement and the direct participation of workforce is necessary.

Principles of HR Approach

Human Resources approach to managing people embodies the following three principles:

- (i) People are the most important resources an organisation has and managing them effectively is the key to organisational success;

- (ii) human resource policies and procedures need to be closely linked with the achievements of organisational objectives and strategic plans;
- (iii) the culture of the organisation needs to be one that values human resources and pervades the organisation from top to bottom so that all members of the organisation work together with a shared purpose; all managers are, thus, responsible for human resource management.

HRM is no longer the sole province of the personnel specialist, it is a priority for every manager who has line responsibility for staff.

A major concern, which is relevant for the developed European and American economies, is the impact of the "demographic time-bomb" i.e., the substantial reduction in the number of young people coming into the labour market over the next decade in most developed countries. This has led to a notion that the labour market in the future may be a seller's rather than a buyer's market with employees even being in a position to choose their preferred employer rather than the other way round.

In addition, there are pressures which are generated in product market. This is equally relevant for developed and developing economies. Technology has also played a part in bringing about a global economy. There is thus the emergence of a large number of multinational corporations which operate on a worldwide basis.

As of the global market place, two developments are very important. One is the rise of manufacturers in low labour-cost countries who are able to take advantage of modern technology and challenge the established producer countries. Companies in traditional producer countries cannot compete without taking radical measures. The second is the Japanese companies' growing dominance of markets in such manufacturing industries as automobiles and electronics. In this case, it is not cheap labour which has been critical but the successful use of "lean production" systems involving new working methods, *kaizen* (continuous improvement) and the direct participation of the workforce. The latter has made it possible for Japanese companies to improve quality and reduce costs simultaneously by cutting out the layers of management and control systems necessary under traditional Taylorist methods.

The remedy lies in switching from mass production to "flexible specialisation" which means getting much closer to the customer to establish his desires and introducing "total quality management" (TQM), designed to achieve continuous improvement as well as reduction in cost.

The most important aim is the development of a highly committed and adaptable workforce willing and able to learn new skills and take on new tasks. They include the elevation of the management of people to the very highest levels of decision-making in the organisation and its integration into the strategic planning process; an

emphasis on trust and respect rather than rules and procedures and a new role for managers-they become leaders whose job is to facilitate cultural change by securing the co-operation of others.

There are three senses in which the term HRM is being used. These are a retitling of Personnel Management, a reconceptualising and reorganising of personnel roles and a distinctively different and new approach to managing people. We accept the third view. HRM is new and there is a new approach to managing people in which the line executives will play a key role.

Armstrong's Principles of HRM

According to Armstrong, HRM is based on four fundamental principles:

- (i) Human resources are an organisation's most important assets.
- (ii) Personnel policies should make a major contribution to achieve corporate goals and strategic plans.
- (iii) Corporate culture exerts a major influence on achieving excellence and must therefore be managed.
- (iv) Whilst integration of corporate resources is an important aim of HRM, it must also be recognised that all organisations are pluralist societies in which people have differing interests and concerns which they may well feel the need to be defended collectively.

There are three aspects of HRM which are new. One is the link between managing human resources and business strategy; it is the state of competition which is requiring management to make changes. A second is the key role which senior line managers are expected to play-managing human resources becomes their major activity. A third is the emphasis on the integration of policies and practices with each other as well as with business strategy.

Versions of HRM

There are two versions of HRM; a hard version and a soft version. The hard version lays stress on the quantitative, calculative and business strategic aspects of managing the headcounts resource in as rational a way as for any other economic factor. By contrast, the soft version traces its roots to the human relations schools; it emphasises communication, motivation and leadership.

Both versions share the key elements of the new paradigm : that the organisations are under pressure to rethink their approach to managing people; that they should be seeking a better fit between their human resource strategies and business strategies and that they should change their practice. However, the two versions differ fundamentally in their views on the direction that this transformation should

take. The soft version involves a range of specific policies and practices which are essentially people-centred. The hard version admits anything that fits the business strategy.

1.3 HUMAN RESOURCES IN THE CHANGING ENVIRONMENT

Management scholars suggest that the enterprise of the future will be, if not completely unstructured, very loosely organised. It will be flexible, entrepreneurial, innovative, boundaryless and a 'learning organisation'. Sometimes the phrase 'postmodern' is used to describe such an organisation. The days of command-and-control machine bureaucracies are numbered.

One strong pressure for this development has been the rise in the fixed costs of labour, due to rising labour cost rates and in some countries, greater employee protection through Government legislation.

Companies are therefore concerned to minimise the number of direct long-term employees. Ways of doing this include the use of primary and secondary labour markets within the firm, employment of people on short-term contracts, use of agency staff, giving contracts to self-employed individuals (who may perform the work at home), sub-contracting work to small firms. This results in the 'core-periphery' model organisation structure.

Another pressure on firms to adopt the 'core-periphery' structure may come from technological developments. For example, in some high-technology industries, tasks are so complex that there is much use of self-contained task units. Another technological development is the increased availability of information technology.

1.4 HUMAN RESOURCES DEVELOPMENT DEPARTMENT AND ITS FUNCTIONS

Organising the HRD Department:

In management the concept of Human Resources Development (HRD) was formally introduced in 1969 by Prof. Len Nadler in America at American Society for Training and Development Conference.

In India, Larsen and Tubro Ltd. was the first to introduce this concept in 1975 among private sector companies with the object of facilitating growth of employees.

Among the Public Sector Government Companies, it was Bharat Heavy Electricals Limited which introduced this concept.

Human Resources Management is more than a function of management. It is a philosophy which must be reflected in the values, beliefs and activities of managers throughout the organisation.

What is HRD :

At the organisational level, HRD may be defined to include the activities and processes undertaken to promote the intellectual, moral, psychological, cultural, social and economic development of the individuals in an organisation in order to help them to achieve highest human potential as a resource for the community. HRD has been defined by Daftur as a system and process concerned with an organised series of learning activities within specified time limits, designed to produce behavioural changes in the learner in such a way that it acquires desired level of competence for present or future roles. HRD is not a piecemeal or a one time exercise but is a continuous process.

Now-a-days HRD is considered as the key to higher productivity, better relations and greater profitability for any organisation.

Needless to say that people in an organisation play a very crucial role. Henry Ford once said : "take out my building, take out my machines, take out all capital but leave my men with me and I will become Henry Ford again."

In the field of management sciences, 1980s and 1990s can be called the decades of computers and HRD. It is recognised everywhere that human competency development is an essential precondition for any development effort. Many organisations have set up new department known as HRD Department, and others changed their Personnel Department into HRD department which emphasised the importance of people's competency development.

HRD is not a set of techniques but a process of helping people to acquire competencies as already stated. In the organisational context, HRD is a process by which the employees of an organisation are helped in a continuous and planned way to

- (i) acquire or sharpen capabilities required to perform various functions of their present and future roles;
- (ii) develop their general capabilities as individuals and bring out inner potential for organisational development purposes;
- (iii) develop an organisational culture which is conducive to motivation and pride of employees, and

- (iv) HRD process is facilitated by mechanisms like performance appraisals, job rotation, training and career development.

People need competencies - knowledge, attitudes, values and skills - to perform tasks. Without continuous development of competencies of people, an organisation cannot achieve its goals.

There are different ways of strengthening the HRD function. Some of them are:

- (i) Using the existing Personnel Department. As HRD is an integral part of personnel function, there is no need for a separate HRD department. (SAIL)
- (ii) Strengthening the Personnel Department by equipping them with new competencies.
- (iii) Creating a new role for HRD managers or
- (iv) Setting up HRD departments.

The HRD is a new concept and is gradually driving out the traditional Personnel Management concept. It is not simply old wine in a new bottle but there are also conceptual differences.

HRD is a holistic concept while traditional personnel functions were exclusively departmental. HRD is looked upon as a subsystem of a larger system. HRD has been widely accepted as one of the most effective tools for effective development of the organisation. The traditional personnel function is the exclusive responsibility of the Personnel Department, but HRD is the concern of all managers in the organisation. The success of HRD will be attained when every employee sees himself as a developer of his subordinates.

HRD Functions :

In a small organisation, the proprietor performs all the functions. But as the organisation grows, delegation of duties is essential. He employs other people and delegates some of his duties and responsibilities to them. In this way he creates another level in his organisation. With the further growth of an organisation, there is a need for greater specialisation of functions. To a small businessman, salary structure of his employees requires no specialised knowledge but a big company employing several thousand employees needs the assistance of a specialist to manage wage and salary administration. In this way managerial assistance of a specialised nature is required. This is the origin of 'staff function' separated from the 'line function'.

The term line is used to indicate the line of authority as with different ranks in the armed forces where the line of authority is clear. In organisation theory, the word 'line' usually refers to those functions which have direct responsibility for accomplishing the major objectives of the enterprise and the word 'staff' to those

functions that help the line in accomplishing those objectives and are only indirectly related to the major objectives. In a manufacturing firm production, purchase and sales are line-functions and personnel, finance, accounting and research are staff functions. The distinction between line and staff is a means of determining who makes decisions directly related to the attainment of end results and who provides advice and service in making those decisions. It is the function of the staff executives to serve the line executives.

All managers are in a sense human resources managers, since they all get involved in recruiting, interviewing, selecting, training, etc. Yet most firms also have a Personnel or Human Resources Department with its HRD managers. How are the duties of this manager related to the Personnel Management duties of other line managers in the firm ?

Line managers are authorised to direct the work of subordinates - they are always someone's boss. In addition, line managers are in charge of accomplishing the basic goals in the organisation. On the other hand, staff managers are authorised to assist and advise line managers in accomplishing these basic goals in the organisation.

The direct handling of people is an integral part of every line manager's responsibility. As already said, line managers may carry out all the personnel management duties unassisted. But as the firm grows, they need the assistance of a specialised personnel or HRD staff. The HRD Department provides this specialised assistance. In doing so, the HRD Manager carries out three major functions as follows :

(i) A line function :

The HRD personnel performs a 'line' function by directing the activities of the people in his own department and in service areas. He exerts line authority within his own HRD department.

(ii) A Co-ordinative function :

HRD executives also function as co-ordinators of the personnel activities, a duty usually referred to as "functional control". The HRD manager and his department act as the right arm of the top executive to assure him that personnel objectives, policies and procedures which have been adopted by the line organisation are being consistently carried out by line managers.

(iii) Staff (Service) function :

Service to line management is the "bread and butter" of the HRD manager's job. HRD manager assists in hiring, firing, rewarding and evaluating employees at all levels and administers various welfare programmes.

The term 'staff' refers to the function of a 'stick or staff carried by a person for support. Thus the staff performs a supporting role. It supports the line in its

performance. The objective of staff function is to help line executives by relieving them of certain specialized activities.

While on the overall organisation chart of a company, the HRD manager is a staffman to the rest of the organisation, his relationship with his own subordinates in his department is always 'line'. He manages a department which may run as high as hundred employees and his managerial duties are as heavy as those of most line managers. Like them, he is concerned with production, quality of work, planning, organising and controlling the efforts of his department as well as with the recruitment, selection and placement of people as his staff and their training, leadership and motivation.

Formal organisation refers to the manner in which its personnel are grouped into different departments and divisions. The different departments of an organisation can be formally structured in three major ways-by function, by division or by matrix struture.

In the functional form, all personnel who can contribute to the performance of a specific function are clustered together. Under such a system all personnel concerned with personnel administration are grouped together in the HRD department, all persons concerned with the marketing function are grouped together in the marketing department and so on.

One important advantage of this functional form is that each function is performed by a specialist. Owing to specialisation, skills of employees in a functional organisation can be more effectively utilised. But the employees have several bosses, co-ordination is very difficult to achieve and the organisation cannot operate as a total integrated system.

The other way of grouping organisational members is by divisionalisation. Here we aggregate all the specialists required to produce a given product. If a company produces and sells four different products, it may set up four divisional centres, one for each-product. Within each division all the needed production, marketing, finance and other manpower services are assembled.

Divisionalisation may be of different types. There may be divisionalisation by product or by territory. Advantage of divisionalisation is that here it is easy to compare performances but it involves duplication of staff and unnecessary wastage.

An organisation's departments can be structured in the matrix form i.e. organisational members are placed under two bosses, one boss will be the head of the department to which the employees belong and the other boss will be the head of the project to which they are temporarily involved. Matrix form is also known as the "multiple command system". In a big engineering firm, technical personnel of various departments are assigned to a project. When this particular project is

complete, they go back to their respective departments until the next assignment to another project is given. One great advantage of the matrix organisation or project organisation is that specialized knowhow and skill is available to all projects on an equal basis but it violates the traditional organisational principle of unity of command and fosters conflicts.

The organisational structure of the Human Resources Department has a pyramid-like shape with the HRD Manager or HRD Director at the head. In many large organisations, the HRD Manager is also a Member of the Board, and would be designated as HRD Director or Vice-President, HRD. Where he is not a Member of the Board, the appropriate designation would naturally be HRD Manager. Right below the HRD Manager there is another level with personnel officers who will report directly to the HRD Manager.

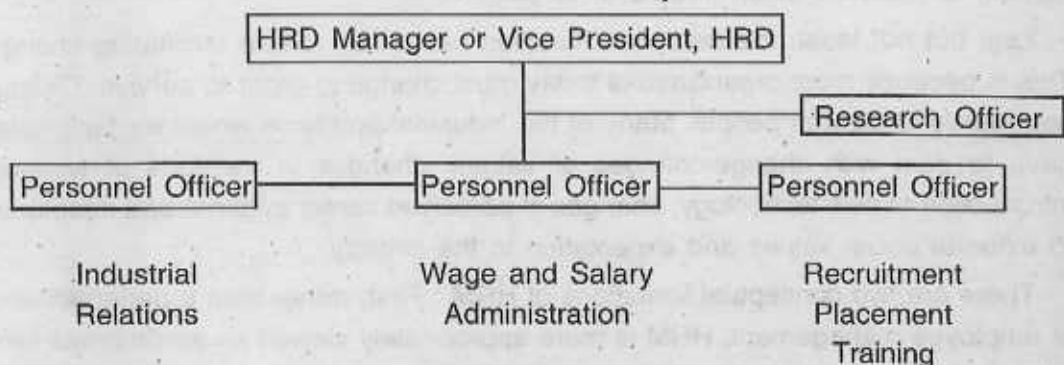


Figure 1.1

The figure above indicates that the top HRD Manager delegates the performance of certain functions to personnel officers. The number of divisions depend upon the extent of the activities which vary from company to company. Within the Personnel Department, the HRD Manager has line authority over all the personnel officers under him. Within the department itself there is a Research Officer who performs a staff function with regard to the HRD or Personnel Department. Thus within the Personnel Department, which performs a staff function in relation with other departments in the organisation there can be both line and staff authority.

HRD-A Professional Innovation :

HRD is not a mere theoretical concept. It is a professional innovation necessitated by the exigencies of the situation, fuelled by human idealism, supported by a growing knowledge about human systems and chiselled by pioneering practitioners.

Since 1980 "High Performance Work Systems" has become increasingly popular. In this changing context, total human resource management, the holistic approach and not the partial Personnel Management would be relevant.

Describing people as a 'resource' is a relatively recent practice in India. It underlines the fact that people are as important as other resources. Managers and workers together represent the human resources of an organisation.

Personnel Department in any organisation should have a policy, planning and research role in addition to providing personnel services such as recruiting, information and guidance to line managers on matters such as industrial relations.

This contrasts with Drucker's criticism of the personnel functions that the work of the Personnel Department consisted of partly a file clerk's job, and partly fire fighting to head off union trouble or to settle it.

Last but not least, the personnel function has a key role in facilitating change. This is because most organisations today must change in order to survive. Change has mainly to do with people. Many of the industrial problems which we face today have to deal with change-changes of values, changes in methods of working, introduction of new technology, changes in perceived career patterns and adaptation to external social values and expectation in the country.

There are two conceptual limitations of HRM : First, rather than a general theory of employee management, HRM is more appropriately viewed as an umbrella term for a series of practices that have come to prominence during the past decade. Second, as simply a set of practices, HRM does not represent a conceptual "tool kit" for the analysis of the more fundamental issues of management-worker relations; issues of power, control, conflict, consent and dependence. HRM is the latest management response to these issues, not an explanation of them.

1.5 STAGES IN THE EVOLUTION OF HUMAN RESOURCES MANAGEMENT

The development and evolution of the practice and science of HRM has gone through a number of stages beginning prior to the Industrial Revolution in Britain and continuing upto the present.

STAGE 1 : PRE-INDUSTRIAL ERA

The first stage is the pre-industrial era, beginning around 1400 A. D. and continuing until the late 1700s. While the pre-industrial period is characterised by an absence

of any formal HRM function within organisations, several dramatic changes occurred during this first stage that represent seeds from which modern HRM later grew.

Firstly, there was a concession of feudalism, release of labour from land and the beginning of the free employment relationship on which modern labour markets are based.

Secondly, there was a shift from subsistence agriculture to a commercial mixed economy, the rise of urban economy, a diffusion of economic control and the distribution of wealth and income.

Thirdly, there was a spectacular growth of towns and villages along with the rise of a middle class that included skilled craftsmen and merchants who were the forerunners of factory owners.

Fourthly, domestic or putting out system was developed as a result of which craftsmen increasingly came under the service of merchants who served as middlemen.

STAGE II : INDUSTRIAL REVOLUTION AND THE FACTORY SYSTEM

The Industrial Revolution began in Britain in the late 18th Century, in USA in the 19th century and in India in the second half of the 20th century. Industrialization completely changed the way people earned their living. It was made possible by the replacement of human effort and skill by the work of machines.

One of the contributions of the Industrial Revolution was the development of the "factory" system. The factory was central to the process in 19th century industrialization and to the development of the practice of HRM. Factories were places of production based on wage labour and fixed capital. Factories greatly expanded production and created a new class of workers and managers.

The factory system brought about many changes in the organisation of industry. It displaced the self-employment household and handicraft. The factory brought together many workers who no longer could own the tools of production and had no other way to earn a livelihood. The factory system gave birth to a rationalisation of work and a division of work. Another change brought about by the factory system was the necessity of supervising large number of workers.

With the advent of the factory system personnel practices became autocratic, based upon a commodity concept of labour. Labour was purchased at terms designed to maximise the employer's profits. Consequently, there was a total neglect of the human factor - the focus was upon materials, markets and production.

The factory owner delegated management responsibilities to the foreman or first-line supervisor. The foreman was responsible for successfully running the entire factory. The control of workers by the foreman usually took the form of the drive system of management that was characterized by the use of force and fear.

STAGE III : EMERGENCE OF THE MODERN CORPORATION AND MANAGERIAL CAPITALISM

From 1860 to the turn of the century, there was a period of dramatic industrial growth and organisational restructuring in UK, that set the stage for the emergence of the modern HRM practice. This period witnessed a fundamental transformation of employment from being primarily agricultural to industrial, from small scale employing craftsmen to large scale employing semi-skilled operators. During this time, the modern business enterprise along with managerial capitalism emerged. The period witnessed a growth in the corporate form of organisation, the separation of the operation from the ownership of firms and the employment of salaried managers.

In spite of organisational growth and technological changes during the second half of the 19th century, there was no commensurate improvement in human resources management. The focus of attention in the factory was mainly on improvement in technology of production and not on improvement of human methods of work. Labour continued to be viewed as a commodity. The traditional factory management practices continued which were responsible for low productivity and wages, extremely high rates of turnover and an increase in the labour and management conflict. The development of HRM during the 20th century included a primary industrial relations component which management would use to operate in the collective bargaining framework.

STAGE IV : SCIENTIFIC MANAGEMENT, WELFARE WORK AND INDUSTRIAL PSYCHOLOGY

Scientific Management (SM) and Welfare Work represent two separate and concurrent movements that began in the 19th century and along with contributions from Industrial psychology, merged around the time of World War I to form the field of HRM. Scientific Management and Welfare Work were both responses by management to worker-related problems in the factory. SM represented an effort to deal with labour and management inefficiencies through reorganisation of production methods and rationalisation of work. Welfare Work represented efforts to deal with labour problems by improving worker conditions. Industrial psychology represented the application of psychological principles towards increasing the efficiency of industrial workers.

During the last quarter of the 19th century, professional mechanical engineers emerged as important providers of technical assistance for machine production. Out of their ranks came a number of engineers who introduced dramatic changes that rationalised factory production and industrial management systems. These engineers looked at the traditional factory system with autocratic management and unsystematised methods of work as outdated, inefficient and incompatible with more modern plants. Along with rationalising production processes, they introduced various personnel practices to rationalise employment procedures.

F. W. Taylor's Scientific Management:

It was F. W. Taylor who was the father of scientific management. Taylor was concerned with worker inefficiency and the need for managers to gain the cooperative effort of the employees. He studied the elements of jobs, eliminating unnecessary motions and timing the tasks, in an effort to discover the "one best way" and the fastest time in which a worker could perform a particular task. Time and Motion study became the heart of SM and represented a way of accurately determining the amount of work a man could do.

Taylor declared that SM constituted a complete change in the mental attitude of workers and managers and he sums up SM as

- (i) Science, not the rule of thumb;
- (ii) harmony, not discord;
- (iii) co-operation, not individualism and
- (iv) maximum output, in place of restricted output.

Taylor stated what the workmen want from their employers is high wages, and what employers want from their workmen is a low labour cost of manufacture. He pointed out that workers and managers have similar interests and mutual benefits from increased production and argued that the application of SM represented a partial solution of the labour problem because it would increase production at lower cost to employers and would result in higher wages for the workers since each worker would be compensated according to his output.

SM represented a new attitude towards management and Taylor's work contributed greatly to the formalisation and specialisation of management. Taylor argued that management actually is a true science resting upon clearly defined laws, rules and principles, Taylor proposed functional management as part of SM. Functional management delegated the traditional foreman's managerial responsibilities to eight separate employees who were specialists at their functions. The purpose of functional management was to enable proper management of the employee by the separation

of the planning of work from its execution and the substitution of individual judgement in the rules and principles.

Contributions of SM to HRM

SM contributed to the practice of HRM in many ways.

Firstly, Taylor's proposal for functional management called attention to the need for a separate human resources function in organisations.

Secondly, Taylor demonstrated the feasibility of job analysis as a basis for employee selection, training, job evaluation and compensation.

Thirdly, Taylor demonstrated that work and jobs can be systematically studied, analysed, redesigned or improved upon.

Fourthly, Taylor stressed the importance of proper selection procedures and training methods.

Fifthly, Taylor advanced the idea of differential pay on the basis of productivity.

Lastly, Taylor highlighted the need of workers to be won over and led by management.

Limitations of SM :

In spite of its contributions, SM has several limitations.

SM has an excessive engineering bias on the job to the neglect of the worker. It looked upon the worker as a machine who could adapt to the job and saw no need to incorporate human factors in its system.

Secondly, SM considered the worker as an "economic man" who is exclusively motivated to maximise his economic gain and therefore, neglected the basic social and psychological drives of employees.

Lastly, SM represented a form of industrial autocracy and control by management over the workers. Management did all the planning of work and workers were simply to say 'yes' to the instructions.

Welfare Work:

Efforts were made in the 19th and early 20th centuries to improve the working conditions of factory workers. The welfare work movement became widespread during this period. Welfare Work, like SM, was an attempt at a more systematic approach to labour problems. It has been defined as anything done for the comfort and improvement, intellectual or social, of the employees, over and above wages paid, which is not a necessity of the industry, nor required by law. The primary purposes of welfare work included :

- (i) the averting of industrial conflict and unionisation,
- (ii) the promotion of good management and worker relations,
- (iii) the efforts to increase worker productivity and reduce turnover.

Around 1900 A.D., some industries in USA hired welfare secretaries to administer welfare programmes.

Industrial Psychology

Along with SM and welfare work, Industrial psychology also contributed to the field of HRM. Whereas SM focused on the job, Industrial psychology focused on the worker and individual differences. The objective of Industrial psychology was to increase human efficiency by focussing on the maximum well-being of the worker and decreasing the physiological and psychological costs of work.

Industrial psychology began in 1913 when Hugo Munsterberg published **Psychology and Industrial Efficiency** (1949). Munsterberg drew attention to the contributions that psychology could provide in the areas of employment testing, selection, training, efficiency and motivation. William Gilbreth, a contemporary psychologist, sought to integrate psychology with scientific management by incorporating individuality in the selection study and motivation of employees.

STAGE V : WORLD WAR I AND THE EMERGENCE OF HRM AS A PROFESSION :

World war I provided conditions that resulted in the widespread recognition by business, of the need for HRM and the emergence of the field as a profession. The war brought attention to the need for 'scientific personnel administration' and centralising, under a personnel director, activities promoting the welfare and efficiency of workers. At the close of the war, the Personnel Management Department had emerged as a primary function, taking its place alongside the financial, production and sales departments in many organisations.

The effect of the war on HRM was dramatic.

- (i) First, during this time there was a widespread labour shortage/Labour turnover increased dramatically as a result of the increase in job opportunities for workers.
- (ii) Second, the labour shortage accompanied by a rapid rise in wages and an increased demand for wartime production, created a need for employers to more efficiently utilize the workers that they were able to procure.

Business responded to the labour shortage, turnover and labour relations problems by widely embracing PM practices. This was evident in that, a substantial number

of industrial firms in UK and USA established Personnel Departments between 1915 and 1920. Firms adopted functional management which removed the hiring and firing functions from the foreman and placed them in the hands of employment or Personnel Departments. In addition to centralizing hiring, there was an integration of former unsystematized HRM activities such as, welfare work, job standardisation and time study under the supervision of one executive who came to be known as the Personnel Manager. The year 1918 recorded the birth of a new profession- Personnel Management.

Following World war I and continuing up until the last decade, Personnel Management or Personnel Administration were used as the labels for the practice of HRM. The recent widespread adoption of the term "Human Resources Management" by both academics and business organisations in place of Personnel Management, reflects an increased realisation of the importance of the human element in organisations.

STAGE VI :THE HUMAN RELATIONS MOVEMENT

The early focus of the HRM profession was "human relations". The human relations movement was associated with the name of Elton Mayo and Fritz Roethlisberger. Human relations incorporated the human factor into SM. This human relations effort reflected the symbiotic combination of SM, welfare work and elements of Industrial psychology in the personnel profession. The emphasis was on increasing productivity through discovering the needs of workers, the proper way of managing people and increasing productivity.

Personnel managers in general, believed that conflict was not inherent in labour relations, but was an indication of poor management and could be corrected by proper worker management techniques.

As a result of the Hawthorne experiments, the human relations movement began around 1945 and continued until the early 1960s when it was absorbed into the new discipline of organisational behaviour. Under human relations, the manager became responsible for integrating employees into the work situation in a way that would motivate them to work together co-operatively and productively and for assisting employees to experience economic, psychological and social satisfaction.

MANAGEMENT AND ADMINISTRATION :

There is lack of unanimity among writers over the meaning and use of the words 'management' and 'administration.'

According to one group of writers, Sheldon, Spriegal, and Milward, administration involves 'thinking'. It is a top level function which centres around the determination

of plans, policies and objectives of a business enterprise. On the other hand, management involves 'doing'. It is a lower level function which is concerned with the execution and direction of policies and operations. Accordingly, at the top level, administration is more important and as one moves down in the organisation, management becomes more important.

According to the second view (expressed by E.F.L. Brech and others), management is a comprehensive generic term which includes administration. E.F.L. Brech regards management as a comprehensive generic function embracing the entire process of planning, organising, directing and controlling. Administration, according to him, is only a branch of management which encompasses two of its functions-planning and control. According to this view, the functions of management can be divided into two categories : (a) administrative management and (b) operative management. The upper level of management is usually called administrative management and the lower level is known as operative management.

According to another view expressed by Peter Drucker, the basic difference between management and administration lies in the use of these words in different fields. The governance of non-business institutions (such as Government, army, church, etc.) is generally called administration, while the governance of business enterprises is called management. This being so, economic performance becomes the chief dimension of management. A manager of a business enterprise must always, in every decision and action put economic consequences first. On the other hand, in governing non-business institutions, the economic consequences of decisions are only secondary for an administrator. For example, the chief of staff of a military organisation has to put military security first and economic considerations next. This difference of emphases in the governance of these two types of organisations is the reason why successful administrators sometimes fail as managers and vice versa.

Public Administration - What is it ? :

What is public administration ? Very simply stated, it is service for the people rendered by an organisation of people called 'Government' whose main objective or *raison d'être* is 'service.' For financing the service thus given, the Government has to raise resources through collection of revenue from the people through taxes and duties. Its aim is to take from those who have income and to distribute it equitably through services. Land revenue which constituted the major source of income for the Government until recent times, particularly during the British period, is supplemented by various methods and modes of taxation at the national, State and local levels.

From Public Administration to Management:

Many people wonder if public administration is the same as management. As long as there are objectives and these are sought to be achieved through optimisation, that is with least cost and minimum time, they can be considered, in principle, to be two sides of the same coin. But in the interpretation of optimisation or maximisation, quite often the Government differs from private management. The Government is preoccupied with social gain and progress which may not be measurable but which is important from the point of view of development and welfare of the people and for a good society. This cannot be equated with the priority of private enterprise whose survival depends on the balance of material profit and loss.

One cannot divorce public administration from the political context. It is through the arrangement of the political executive, assisted by the administrative executive or Civil Service that people's will is translated or transcribed into action. The supremacy of the legislature over the executive is best illustrated by the process by which public expenditure estimates have to be presented to it and voted before any expenditure by the Government is considered legal or regular. The most important principle is that the Government and its administrative agencies can act only within the framework of powers granted by the Constitution. No one is above the law, and it is by Rule of Law that everyone, including the public administrator, is governed. These reasons put public administration on a different footing from private enterprise and business management. Public administrators have to ensure that processes are fair and impartial, sometimes even at the cost of speed and quality of results. Persons similarly placed must get similar treatment or benefits. Indeed, in business management, 'discrimination' is necessary for achievement. Work ethic, therefore, differs in these sectors. The difference also points to what should be done by the Government and what is best left to private enterprise.

UNIT : 2 □ WOMEN AS HUMAN RESOURCE

Structure

2.1 Women and Work

2.2 Women and the International Labour Organisation (ILO)

2.3 Women and Public Employment in India

2.4 Utilisation of Human Resources

2.1 WOMEN AND WORK

Sharing of economic activity by women is neither a new phenomenon nor a new development. The magnitude of their involvement, however, is correlative to socio-economic and political conditions prevalent in a country. From time immemorial, women in India have been working both in the active economic field and at homes though not in the strict sense of earning wages. With the change in the outlook, attitudes and approach towards living, it has now become necessary largely for the families with inadequate incomes to supplement their requirements through additional earnings. Women can fill this gap, and, breaking social conventions and religious taboos, they have come forward to meet the challenge enthusiastically. This is, no doubt, a healthy development. However, in a country like India, the processes of development are bound to be a little slow due to the prevailing illiteracy among women.

In India, the right of women to public employment is recognised under the Constitution. Articles 16(1) and 16(2) of the Constitution grant the right of equal opportunities in regard to employment to men and women without any distinction. The bulk of women workers have been engaged in agriculture and allied activities. But then, with the spread of education, particularly in urban areas, new vistas of employment opportunities for women in commercial, clerical and administrative work have opened up. While generally conceding that wages of women workers have been lower than those of men, the differences have tended to narrow down mainly due to standardisation of wages for different jobs.

Equality of women is one of the important principles of democracy and of respect of human rights as also one of the most important conditions of social progress. The UN Resolution mentions that the struggle of women against discrimination towards them with regard to their right to work and remuneration must be supported.

The social reforms initiated in the earlier part of the 19th century gained added force and momentum in the wake of the struggle for freedom. The emancipation of women was undoubtedly a major part of the programme of social reforms under the inspiration of Mahatma Gandhi. Thus, the struggle for political freedom started drawing women along with men. With the advent of Independence the spade work for a solid foundation for the role that women are expected to play was laid down. In ancient India, particularly during the Vedic age, women enjoyed high status at home as well as outside. Unfortunately, over the centuries, women gradually lost their original position. With the adoption of certain evil social practices like the Purdah system, practice of Sati, child marriage, polyandry, etc. the position of women in India was considerably whittled. In the beginning of the 19th century efforts were made to improve the position of women and to eradicate the evil social customs forced on them. In the early days of industrialisation, women folk belonging to the lower strata of the society sought employment in the plantations, factories, and mines which had a strong rural base. Sheer economic necessity pushed them into the factories. In agriculture, women have been traditionally working shoulder to shoulder with men. Gone are the days when employment of women in any kind of occupation other than their own homes was looked upon with disfavour. Today, we find women employed almost in every field, staging an uphill struggle for their rights and working with enormous zeal for the development of the country along with the men. The future holds immense possibility for the employment of women.

The United Nations has been working for the advancement of women since its very inception. Besides, the Charter of United Nations and the Universal Declaration of Human Rights for Safeguarding Interest of Women in 1946, the United Nations constituted a Commission on the Status of Women followed by several Conventions and Resolutions like the Equal Remuneration Convention 1951, Convention on the Political Rights of Women, 1952, International Covenants of Economic, Social and Cultural Rights and Social and Political Rights; the Discrimination (employment and occupation) Convention 1958, the General Assembly's Declaration of Elimination of Discrimination against women in 1967 etc. Despite these provisions and notwithstanding the progress made during the last two decades, a considerable gap still persists all over the world in the social and economic, political and cultural life of women, and it is being increasingly realised that discrimination against women is incompatible with human dignity and with the welfare of the family and society.

The labour legislation in India has been designed in such a manner as to protect women and children from undue exploitation. But, law itself cannot offer protection unless there is a sense of awareness of its existence among the workers. In this direction, education of women requires to be given top most priority so that they may not only become conscious of their rights and responsibilities but also take advantage of the statutory privileges.

It will be pertinent to mention the recommendations made by the National Commission on Labour regarding employment of women etc. which are as follows:

Recommendation No. 215 : The right of a woman to employment should in no way be considered subordinate or secondary to that of a man. The necessary training facilities should be created/augmented; vocational guidance programmes will serve a useful purpose in giving required information to women. It will be desirable to give preference to women for training in those trades and occupations for which they have special aptitude.

Recommendation No. 216 : Implementation of the principle of equal pay for equal work should be more satisfactory than at present.

Recommendation No. 217(A): Women will have to be absorbed more and more in skilled categories of work to make their employment more economic to their employer (B) With proper skill generation and rational distribution of women labour force as a part of social and economic planning, it should be possible for an employer to follow a non-discriminatory policy in employing women.

2.2 WOMEN AND THE INTERNATIONAL LABOUR ORGANISATION (ILO)

Basically, the ILO is an agency for the betterment of the conditions of labour, by such means as the regulation of the hours of work, the regulation of labour supply, the prevention of unemployment, the provision of an adequate living wage, the protection of the worker against sickness, disease and injury arising out of his employment, provision for old age and injury, etc. In the Preamble to the Constitution of the ILO, the protection of women, children and young persons has been a special responsibility of the ILO, ever since it came into existence.

Almost all the 140 Conventions and the 148 Recommendations which make up the ILO's International Labour Code show concern as much to women as to men workers. The International Labour Conference has adopted a number of Conventions and Recommendations which apply to women. These instruments are of two main types-promotional and protective. The promotional instruments are aimed at primarily overcoming economic and social discrimination against women in matters of work. The protective standards are concerned with providing them the special protection they require because of their biological and social function of maternity. In addition, there are some Conventions and Recommendations which apply generally to all workers but contain special provisions concerning women workers.

NON-DISCRIMINATION AGAINST WOMEN AND OCCUPATION :

The principle of non-discrimination is expressed in a number of ILO instruments. Thus, the Discrimination (Employment and Occupation) Convention (No. 111), which was adopted by the Conference in 1958 lays down the principle of non-discrimination in employment and occupation on the ground of sex. It calls expressly for the declaration of a national policy of non-discrimination. Discrimination is defined as any distinction, exclusion, or preference made on the basis of race, colour, sex, religion or social origin which has the effect of nullifying or impairing the equality of opportunity in employment or occupation. Countries which ratify the Convention undertake to promote equality of opportunity in employment for all, with a view to eliminating discrimination.

The principle of non-discrimination in employment was also emphasised in the Employment Policy Convention (No. 122) adopted by the 48 Session of the ILO Conference in 1964. The Convention provides that Governments should pursue as a major goal, an active policy designed to promote full, productive and freely chosen employment and that there should be the fullest possible opportunity for each worker to qualify for, and to use his or her skills and endowments in a job for which he or she is well suited, irrespective of sex.

The Employment Service Recommendation, 1948 (No. 83) provides that the employment service should not itself discriminate against applicants on the ground of sex.

EMPLOYMENT OF WOMEN WITH FAMILY RESPONSIBILITIES :

The Employment (Women with Family Responsibilities) Recommendation 1965 (No. 123) urges Governments (a) to pursue a policy which will enable women with family responsibilities who work outside their homes to exercise their right to do so without being subject to discrimination and in accordance with the principles laid down in the Discrimination Convention and in other ILO instruments and (b) to encourage, facilitate or undertake the development of services to enable women to fulfil their various responsibilities at home and at work harmoniously. It underlines the need for measures to encourage public understanding of the problems of this category of women workers with a view to developing community policies, and a climate of opinion conducive to helping them to meet their family and employment responsibilities.

2.3 WOMEN AND PUBLIC EMPLOYMENT IN INDIA

In India the right of women to public employment is recognised under the Constitution. Articles 16(1) and (16)2 of the Constitution grant the right of equal opportunities in regard to employment to men and women without any distinction.

Article 16(2) forbids discrimination in respect of any employment of office under the State on the grounds only of religion, race,, caste, sex, descent, place of birth, residence or any of them. The obligation not to discriminate in matters relating to employment or appointment to any office under the State has thus at least normatively ensured a significant position and status to Indian women.

In this context we would like to mention that during the tenure of Charan Singh as Chief Minister and under his instructions, the Government of UP attempted a direct violation of this constitutional provision. In reply to a question asked in the UP Vidhan Sabha on 16 July 1971, the State Government admitted that in June 1970, the State Government sent a letter to the Government of India stating that women officers should not be admitted to the Indian Administrative Service. If that was not possible, then at least they should not be sent to this State.

Though this attempt did not succeed, it is a pointer that vigilance is necessary to ensure that the special provision permitted under Article 15(3) is not used to the detriment of women by legislative or executive action.

The Report of the Committee on the Status of Women in India (1974) recommended that equality of women is necessary on the following grounds :

1. that equality of women is necessary, not merely on the grounds of social justice, but as a basic condition for social, economic and political development of the nation;
2. that in order to release women from their dependent and unequal status, improvement of their employment opportunities and earning power has to be given the highest priority;
3. that society owes a special responsibility to women because of their child bearing function. Safe bearing and rearing of children is an obligation that has to be shared by the mother, father and society;
4. that the contribution made by an active housewife to the running and management of a family should be admitted as economically and socially productive and contributing to national savings and development;
5. that marriage and motherhood should nor become a disability in women's fulfilling their full and proper role in the task of national development. Therefore, it is important that society, including women themselves, must accept their responsibility in this field;
6. that disabilities and inequalities imposed on women have to be seen in the total context of a society, where large sections of the population, male and female, adults and children suffer under the oppression of an exploitative

system. It is not possible to remove these inequalities for women only. Any movement for the emancipation and development of women has to form a part of a total movement for removal of inequalities and oppressive social institutions if the benefits and privileges won by such action are to be shared by the entire women population and not be monopolised by a small minority;

7. that if our society is to move in the direction of the goals set by the Constitution, then special temporary measures will be necessary, to transform de jure into de facto equality.

ROLES AND OPPORTUNITIES FOR ECONOMIC PARTICIPATION :

The economic status of women is now accepted as an indicator of a society's stage of development. This does not, however, mean that all development results in improving women's economic status. Patterns of women's activity are greatly affected by social attitudes and institutions.

HUMAN RIGHTS AND SOCIAL JUSTICE :

Women's economic subjugation or dependent position is the result of a rigid distinction in men's and women's roles in society and leads to exploitation.

Marx wrote, the emancipation of women and their equality with men are impossible and must remain so as long as women are excluded from socially productive work and restricted to house work, which is private.

2.4 UTILISATION OF HUMAN RESOURCES

It is in the interest of a society to make full and most effective use of its human resources. The full benefit of development can only be realised with people's participation and the economic role of women cannot be isolated from the total framework of development.

Discrimination against women is incompatible with human dignity and the welfare of the family and society, prevents their participation on equal terms with men in the political, social, economic and cultural life of their countries and is an obstacle to the full development of the potentialities of women in the service of their countries and humanity.¹

Development has opened new avenues to women. Modernisation, social change and education, have enabled some women to enter into new profession and services which were totally closed to them earlier. For example, the presence of women in public services, administrative services and other jobs in the tertiary sector is now an accepted fact. For certain limited jobs, women are even preferred.

WOMEN AND CENTRAL SERVICES :

Data supplied by the Union Public Service Commission indicates an increase in the number of women as successful entrants.

In the IAS/IFS/IPS examination the ratio of women to men recommended for appointment has improved from 1:81.6 in 1960 to 1.75 in 1972. It should be noted that the Indian Police Service, which had refused to accept women earlier, withdrew its resistance after a representation from some women candidates.

The important issue concerning women in the Central services that received considerable public attention in the 70's was regarding the constitutional validity of Rule 5(3) of the IAS Recruitment Rules 1954. According to the Rule, when an unmarried woman officer married, the Central Government may, if the maintenance of the efficiency of the service so requires, call upon her to resign. This rule had been cited in a case which came up for consideration before the Supreme Court under the Industrial Disputes Act 1967. In this case, the legality of a service rule adopted by the respondent concern, International Franchise (P) Ltd, by which the services of a woman worker were automatically terminated on marriage, was sought to be defended on the analogy of Rule 5(3) of the IAS Recruitment Rules. The Court while striking down the said rule in the respondent concern in the interests of social justice, observed as follows :

It will be seen that this rule for the Indian Administrative Service is not unqualified like the rule in force in the respondent concern. It only lays down that where an unmarried woman married subsequently, the Central Government may, if the maintenance of the efficiency of the service so requires, call upon her to resign. Therefore, this rule does not compel unmarried women to resign on marriage as a matter of course, as is the case in the respondent concern. It is only when the Central Government considers that marriage has impaired the efficiency of the woman concerned that the Central Government may call upon her to resign. The rule which is in force in the respondent concern, however, assumes that merely by marriage the efficiency of the woman employee is impaired and such an assumption in our opinion is not justified.

Though Rule 5(3) was upheld by the Supreme Court, it was deleted from the IAS Recruitment Rules in 1972, after an assurance given by the Prime Minister in Parliament, since it amounted to discrimination against married women.

1. Declaration of Elimination of Discrimination Against Women - United Nation's, 1967.

UNIT 3 □ CHANGING CONTOURS OF THE CIVIL SERVICE : INDIA

Structure

3.1 Introduction

3.2 Organisation and Functions of the All India Services

3.3 From the ICS to the IAS

3.1 INTRODUCTION

Public administration refers to the service for the people rendered by an organisation of people called 'Government' whose main objective or *raison d'être* is 'service'. For financing the service thus given, the Government has to raise resources through collection of revenue from the people through taxes. Its aim is to take from those who have income and to distribute it equitably through services.

In India the Government consists of the political bureaucracy, the Council of Ministers accountable to the people through the legislature as Member of Parliament (MP) and member of legislative assembly (MLA) and an executive bureaucracy, the civil service, to aid and advise the ministers and to implement decisions. There is an independent judiciary to keep watch over the actions of the Government (the executive) and the legislature, and render justice. All three wings - the legislature, judiciary and executive - are constituted within the framework of the provisions of the Indian Constitution which came into being on 26 January 1950. There is a relationship of inter-dependence and delicate balance among the three. In India, it is the Constitution that is supreme. When the executive tries to exceed its powers, the judiciary keeps it in check. When the Parliament or State legislature enacts laws, the judiciary can decide whether they are in accordance with the Constitution or not. Most parts of the Constitution have a bearing on public administration, and it must be considered the source book for the administrator.

Principles of Public Administration

The principles of public administration or good Government are the same all over the world, with efficiency, economy and equity as its corner-stones. Deficiencies in the systems of different countries are inevitable, depending on the forms of Government and level of economic development. Public administration in a democracy seeks the greatest good of the greatest number through fair means which are transparent and clear.

3.2 ORGANISATION AND FUNCTIONS OF THE ALL INDIA SERVICES

The All India Services are a legacy of the unitary Government of India of the era before the reforms of 1919. They include the Indian Civil Service and the Imperial Police and a number of other technical and specialised services. Two of these, the Indian Civil and Medical Services have a long history dating back to the early years of the East India Company. The Indian Civil Service was born of the company's covenanted Civil Services which managed its commercial affairs in the 17th and 18th centuries. The service had been organised in provincial cadres and were amalgamated to form the Civil Services of India only in 1892 following the recommendations of the Aitchison Commission on the Public Services 1886-87. The Police had been similarly organised at first on a provincial basis in 1861 and later as an All India Service known as the Imperial Police in 1905. All other services were constituted towards the close of the 19th and the beginning of the 20th century. The creation of these services followed the political unification of the country, the centralisation of its Government and the gradual assumption by it of its new functions.

The character of the Indian Civil Services underwent a series of changes through its history. In the 17th and 18th centuries its functions were mainly commercial. When the company assumed the Government of Bengal, Bihar and Orissa in 1765, its functions were transformed almost overnight into those of civil administration. The consequences of these transformations were at first disastrous for the country owing to the complete lack of morals among the company's servants whose interests were mainly to enrich themselves. The service was gradually reformed and fitted for the tasks of administration by the efforts of Clive, Warren Hastings, Cornwallis and Wellesley and emerged in the beginning of the 19th century as an administrative service with a completely different character. The members of the service were bound by their covenants to a strict code of conduct and prohibited from private trade. It came to be staffed by men of great ability and high standards of personal integrity. It became a purely administrative service after 1830 when the company ceased to be a commercial corporation. The last vestiges of patronage in the recruitment to the service came to an end with the opening of the service to competition in 1853.

With the introduction of the competitive system, the members of the service were drawn from among the graduates of British Universities who had received the best general education Britain could offer. Its members were assigned every kind of administrative job, however specialised it might be. Its work during the earlier years was confined to the elementary functions of the collection of revenue, the

maintenance of law and order and administration of justice. The work became more varied during the latter half of the century embracing a wide variety of welfare and development functions like famine relief, social reforms, education and public works. Even when other All India Services were created to deal with specialised activities, the Civil Service continued to direct and co-ordinate such work. The Civil Service had the monopoly of all the strategic and controlling positions in the Government and its part in the determination of policy gave it an unquestioned primacy among the All India Services, a position which its successor, the Indian Administrative Service (IAS) retains today.

The All India Services were recruited in England by the Secretary of State who exercised ultimate disciplinary control over them. The services were born in provincial cadres but were common to the Centre and provinces and the higher positions in both the Central and provincial Governments were reserved for them. Their members were systematically rotated between the provinces and the Centre, with officers serving at the Centre for a brief period and returning to their parent provinces at the end of their term. Each of the All India Services was deemed to be a single service with its members having a common status and rights. Though their work lay mainly in the provinces to whose cadres they belonged, they have been liable for service in any part of the country since 1978.

The Indian Civil Service was a closed service from the beginning. Entry into it was only through competition at the beginning of the service. There was no lateral entry. This has been a fundamental principle of its organisation. The Indian Civil Service was conceived as an elite corps and the key element in the Government of the country.

The Indian Civil Service and the Imperial Police were primarily instruments of control designed to secure the safety of the Empire. The exclusion of Indians from these services was largely due to the fear that the admission of Indians into the service in any substantial number would endanger the British Empire in India.

The great achievement of the Civil Service in the last century and half was building up of the modern administrative system of the country and transforming an administration based on discretion into one based on the rule of law to the extent possible in a colonial regime. Lloyd George's famous reference to the Civil Service as the steel frame only emphasised the integrating role that it played in Indian history.

The All India Services numbered only a few thousands. The Government of so vast a country as India and the administration of its expanding services could not be directly run by them. There was, therefore, an underpinning of those services by provincial civil services manned by Indian personnel.

At the time of Independence, it was felt that the All India Services with their wider outlook and larger experience of administration and greater competence were necessary in the period of transition for maintaining the continuity of administration. At a conference of Chief Ministers of the provinces, meeting under the Chairmanship of Sardar Vallabhbhai Patel in 1946, it was decided to reconstitute the Indian Civil and Imperial Police Service. These two services were constituted under the executive orders in August 1947 and were later made statutory by the All India Services Act of 1951. By the rules under this Act, the services were endowed with substantially the same rights, privileges, duties and powers as the Indian Civil Service and the Imperial Police.

The Constitution empowered Parliament to create new All India Services. As a result, in 1961 the Indian Administrative Service, the Indian Police Service and the Indian Forest Services were created. Unlike the Indian Civil Services during the British period, the All India Services are now recruited in India, their personnel are entirely Indian and they are controlled by the Union Government and not by an external authority.

The All India Services attract the best talents in the country today and the constitutional protection afforded to them enable them to act impartially and offer independent advice to ministers.

The loyalties of the members of the services are divided between the Union and the States and they tend to look up more to the Union than to the States for the protection of their interests. This makes them suspect in the eyes of the State Governments which they serve. Joint control is likely to be difficult with different parties in control at the Centre and in the States.

Critics allege that the All India Services have not themselves been able to maintain high standards characteristic of them before Independence and have failed to arrest the deterioration of the standards of administration in the States and in the Centre. They have also largely failed to provide the needed leadership to the other services. Nor have they shown any marked independence in their relations with their political bosses in spite of the constitutional guarantees of their position and careers. The top levels of the services, with a few exceptions, have generally tended to follow their political bosses and carry out their orders rather than risk their displeasure and jeopardise their own careers by offering them unpalatable advice.

The modern administrative system of India was essentially the work of the All India Services, especially of the Indian Civil Services. It was built on the British model. The best products of British Universities were recruited to them. The result was competent and incorruptible administration to which society look upon for justice. Because of their European background and education they were also the agents for modernizing the Indian administrative system.

The All India Services since independence differ radically from their predecessors. Their personnel is wholly Indian. This is necessary and should increase the efficiency and sense of commitment to the nation's interests. They have, also, had their education mostly in Indian Universities.

3.3 FROM THE ICS TO THE IAS

The term 'Civil Service', first originated to designate those servants of the East India Company who were engaged in mercantile work. Employees of the East India Company who conducted its trade were called civil servants so as to distinguish them from those whose duties were of a military nature.

The Indian Civil Service occupied the top of the administrative hierarchy of India and the ICS was the steel frame of Indian administration. The ICS was a small elite in 1930 with a membership of 1014. It was wound up during the closing years of the colonial rule in India. It was succeeded by the Indian Administrative Service.

There are some major differences between the ICS and the IAS. Firstly, the ICS was a generalist, omnibus service. Its members used to man superior positions in all the branches of the Government. The IAS has been provided with a more limited area of operation.

Secondly, in the Central Secretariat there was reservation of posts for members of the ICS. No such reservation exists for the IAS.

Thirdly, there has also been a certain amount of qualitative decline in the IAS. Recruitment to the IAS is made by the following three methods :

1. by open competitive examination, administered to young persons in the age group of 21-28 possessing at least the Bachelor's degree,
2. by promotion of members of the State Civil Services and
3. by selection in special cases from among persons who hold gazetted posts under the State Governments but are not members of the State Administrative Services.

Recruitment of IAS Cadre :

Recruitment is a process which is of vital importance to the administrative system as a whole, for it determines the tone and calibre of the public services and on it rests the usefulness of the machinery of Government to the society. Recruitment is the key to a strong public service and the "cornerstone of the whole public personnel structure". A faulty recruitment policy inflicts a permanent weakness upon the administration and the latter virtually becomes a haven for the dull and incompetent.

In the sphere of recruitment, public administration differs fundamentally from private administration. A recruitment policy in the field of public administration must be reconciled with a country's constitutional requirements and political outlook. No such limitations need necessarily confront the private administration.

The need for a sound recruitment policy was first realised by China centuries ago, and this recognition found reflection in the adoption of the merit principle, based on competitive examinations. Prussia is the first country in modern times to have evolved a sound recruitment system. In India, the merit principle has been in existence since 1853. Britain adopted it in 1857.

The merit principle of recruitment replaced the spoils system.

Qualifications required of the employees :

The question of qualifications required of public employees is of enormous importance; as on it rests largely the general efficiency of the public services. The qualifications required of them may be divided into two parts - General and Special. General qualifications apply to all public employees and are thus of universal application. They relate to civil status, domicile, sex and age. Special qualifications deal with education, experience, technical knowledge and personal traits. Let us discuss them briefly :

(A) General Qualifications :

- (i) **Citizenship** : An applicant for the public service must be the citizen of the State. Aliens are debarred from holding any public offices. Even when an alien is employed, the employment is strictly for a short duration. In India the public offices are also open to the subjects of Nepal in view of the well established historic ties with that country.
- (ii) **Domicile or residence** : Domicile qualification was first prescribed by the United States where even today the federal States are given due representation in the national service.

In India, the domicile rules were in force till 1957. The Central Government enacted the public (Requirement as to Residence) Act, 1957. This Act is a landmark in the recruitment policy of the Government, for it does away with domicile restrictions in regard to public appointments. The Act seeks to strengthen the administrative unity of the country by ensuring equality of opportunity to all citizens in matters of entry into the public services.

- (iii) **Sex** : It was not long ago when the employment of women in the public services was a taboo in most countries. This restriction has, however, disappeared with the passage of time and now most countries permit their

employment in the public services. In India the Constitution lays down that there shall be equality of opportunity for all citizens in matters relating to employment or appointment to any office under the State. Women are, thus gaining entry into the public services.

- (iv) **Age :** When we come to this aspect, we find generally two practices. Some countries like India, Britain etc. recruit young persons for public services. On the other hand, United States employs more mature men and women.

(B) Special Qualifications :

- (i) **Educational Qualification :** Here one comes across two practices. The British system has laid down definite educational qualification for entry into public services. In Britain, recruitment from open market is restricted to the grades of Higher Executive officers, Executive officer and clerical officer. There are only three academic points at which one may enter the British Civil Service, first, ordinary level General certificate of Education; second, advanced level General Certificate of Education and third, first degree level examination. These three levels of recruitment into the Civil Service are also linked with different age groups.

In sharp contrast to the British practice of laying down definite educational qualification as well as age limits for entry into the main classes, the American system does not prescribe any minimum educational qualifications. Here anyone can enter the public services after qualifying in the competitive tests.

The Indian system follows the British example. Broadly speaking, the essential minimum qualification for entry in the administrative services in India is a University degree.

In order to reduce the number of applicants to a manageable size, no candidate is permitted to appear more than thrice.

- (ii) **Experience :** In the USA, where entry to the public services can take place at any age, experience of actual performance of task is greatly valued. The Indian system recruits young persons fresh from universities and colleges. For technical Service, however, experience is considered a desirable qualification.
- (iii) **Personal Qualifications :** The public servant must possess executive ability, tact, resourcefulness, integrity, energy and capacity to get along with others. He should be a leader of men and imbued with a sense of public interest. His conduct should be above criticism and like Caesar's wife, above suspicion. He should bear malice towards none.

- (iv) **Technical Experience:** Government is now increasingly employing economists, statisticians, legal advisers, engineers, scientists and similar technical personnel. An expanding Government like ours, has to recruit and train a great number of both general administrators and technical administrators. However, their employment raises a question of the proper relationship between these technical and administrative personnel. No satisfactory answer has so far been discovered. Meanwhile, grievances of the technocrats continue mounting. It is probably true that the latter are "one idea" men, incapable of taking broader view points on the issues. Nevertheless, the development administration like ours cannot afford to neglect them for long. The claims of both the generalists and the specialists - must be reconciled by giving due recognition to the importance of the latter.

Methods of Determining Qualifications :

Direct recruitment to the administrative and most of the executive services is made on the basis of a competitive examination conducted by the Union Public Service Commission. The examination includes :

- (i) a test of intellectual ability and scholastic attainment through a written examination in a certain number of subjects (optional papers),
- (ii) written test, common to all candidates designed to test capacity for effective thinking power of clear expression and general knowledge (compulsory papers) and
- (iii) an interview to assess a candidate's personal qualities including some intellectual qualities which a written examination cannot test.

The method of recruitment to the administrative services in India is made by the Central Government on the basis of a competitive examination conducted by the Union Public Service Commission.

The examination is a combined one for a number of services like IPS, IAS, IPS etc. To appear at the examination, the candidate must be between the age of 21 and 26. Only a University graduate can appear for the examination. Engineering graduates are allowed to compete but medical graduates are not. The examination combines a written test of a high standard with a 'personality test' by the Union Public Service Commission in the form of a personal interview. The former aims at judging the level of intelligence and academic learning and the latter attempts to take a measure of the qualities of personality and character. The examination system is modelled on the British general type, rather than the American specialised type.

UNIT 4 □ RESERVATION POLICY IN INDIA

Structure

4.1 The Context

4.2 Government Policy in India regarding SC/ST Reservations

4.3 Anglo-Indian Representation

4.4 The Issue of Regional and Linguistic Representation :

4.1 THE CONTEXT

During the British regime the principle of "Communal Representation" was extended to the Civil Service and posts were reserved in a certain proportion for Muslims, Scheduled Castes and Anglo-Indians. Recruitment was made partly on the basis of merit and partly on the basis of communal representation. In the course of Constitution-making, voices had been raised demanding representation in the services for certain backward communities. Pleading for representation in the service on the basis of population of different classes, RS. Deshmukh said in the Constituent Assembly : "There are departments after departments where 90% or more of the incumbents come from a specific community. In the whole of India, there is 15% literacy, about half a dozen communities have got literacy to the extent of 90% and others are illiterate to the extent of 98%." Some members of the Constituent Assembly demanded representation in service for rural communities, on the ground of their being generally backward as compared to the urban communities. Ultimately it was decided to reserve posts only for Scheduled Castes and Scheduled Tribes. The term Scheduled Castes is used to include, in general, castes previously called untouchables or Depressed Castes, while the term Scheduled Tribes is used to mean primitive or Aboriginal Tribes. The Constitution, while guaranteeing "equality of opportunity" in matters of public employment, allows the State to reserve in the services under it, appointments or posts in favour of any backward class of citizens. The term "backward", though not defined in the Constitution, was interpreted by B. R. Ambedkar to mean Scheduled Castes and Scheduled Tribes and no other minority community. Moreover, the Constitution gives a general direction to the Union and State Governments for giving special consideration to the members of these classes in the services consistent with the maintenance of efficiency of administration. The last provision means that candidates from these classes should satisfy at least the minimum educational and other qualifications prescribed for services. It must be noted that there is no fixation of a percentage of jobs in the Constitution for these

communities; there is also no fixed period for the continuation of this preferential treatment until these communities have made substantial progress educationally and economically and have reached a certain level of equality with the rest of the Indian society.

4.2 GOVERNMENT POLICY IN INDIA REGARDING SC/ST RESERVATIONS

In the light of the above constitutional provision, the Government of India laid down its policy and framed rules. Initially, the share of these communities was fixed at 12% for the all-India services on the basis of open competition and 16% for direct recruitment. Besides, the maximum age limit prescribed for appointment was raised in their case by 3 years. In 1992, this rule was further relaxed raising the age limit to 5 years above the maximum prescribed for others. Another concession given to these classes is either complete exemption from payment of the application fee or a great reduction in such fee. The percentage of reservation was raised in 1970. In this year, the share in public services was increased to 15% in the case of direct recruitment made by open competition on an all-India basis but the percentage of 16 2/3 in case of recruitment otherwise than by open competition. The percentage for Scheduled Tribes is 7.5. What this means is that 22.5% of Government jobs are already in the reserved category - 15.5% for Scheduled Castes and 7.5% for Scheduled Tribes. As a result of these concessions, the number of Scheduled Caste candidates who appeared at the IAS etc. examination had gone up from 23 in 1952 to 2519 in 1976. In 1964, the representation of Scheduled Castes vis-a-vis total number of employees in the Central Government was 1.79% in Class I, 3.01% in Class II, 9.15% in Class III and 52.77% in Class IV. In this same year, the representation of Scheduled Tribes was .22% and .21%, 1.25% and 2.38% in Class I, Class II, Class III and Class IV respectively. In 1981, the shares of the Scheduled Castes and Scheduled Tribes in the various categories of the civil services were as under:

	Group A	Group B	Group C	Group D
Scheduled Castes	5.16%	7.79%	12.49%	19.19%
Scheduled Tribes	1.09%	1.30%	3.05%	5.04%

The vacancies reserved for Scheduled Castes are getting filled up.

4.3 ANGLO-INDIAN REPRESENTATION

The only other community which had been given special consideration in the matter, was the Anglo-Indian Community. Articles 331 and 333 provide for the nomination of Anglo Indians to Parliament and to the State Legislatures. Article 336 provided services reservations in Railways, Customs, and Posts and Telegraphs Services. However, Article 336(1) specifically mentioned that these protections envisaged in Article 336 shall cease after a period of ten years. As a result, the special privileges for Anglo-Indians assured under this Article have ceased.

4.4 THE ISSUE OF REGIONAL AND LINGUISTIC REPRESENTATION

India, as a federation, is faced with problems of recruitment to services which are peculiar to all federal States. The problem has three aspects in a federation - (a) territorial or regional demands for representation in federal services, (b) the desirability of federal officers administering federal affairs within a State being citizens of that State and members of the linguistic group dominant in that State and (c) the formulation of standards for the federal service that take into account not only the linguistic diversities of the member States but also the differing standards of the State Civil Services and their educational systems. By either customs (United States), statute (Canada) or constitutional provisions (Weimar), federal systems have usually provided that civil servants administering federal affairs within a State shall be citizens of the State and members of the linguistic group dominant within that jurisdiction.

In India, as well, demands were made for territorial or regional representation in Union services and for preference to local candidates for State services. The question of preference for nationals of a State to the services within it was raised during the debate in the Constituent Assembly on the Report of the Committee on Fundamental Rights in respect of equality of opportunity in matters of public employment. Mahabir Tyagi said, "I think to establish self-government in the true sense of the term, it is most essential that in any part of the world, only the residents of that part should be Government servants. If there are open chances, for the residents of one province to serve in another, it means that the residents of that province shall not be able to enjoy self-government."

Later, during the course of discussions on the Public Service Commissions, Sardar Hukim Singh raised the point in a more vigorous form : "India is a vast country and regions are not equally developed so far as education is concerned. I want to draw the attention of the House particularly to the Punjab. This province

started in the race of education 70 years after the others had begun-Naturally the Punjab cannot be expected to compete with other provinces if regional considerations are ignored altogether. Already the Central Secretariat is full of Menons, Swamies and Ayyangars. And in a few years we will see the provinces would be flooded with ambitious youngmen who would not be so familiar with the local customs. Local problems would not be appreciated. The sons of the soil would be squeezed out and there would be fresh prejudices. If no impetus is given to regional recruitment, the backward areas would become colonies for the educationally advanced regions of the country."

Such demands did have some influence on Constitution making. Alladi Krishnaswami, a prominent member of the Drafting Committee, had to concede, that in case of appointments under the State it may be necessary to provide that residence within the State is a necessary qualification for appointment by and within the State. As a result, Clause (3) was added to Article 16, authorising Parliament to make law in regard to a class or classes of employment or appointment to an office under the Government of, or any local or other authority within a State or Union territory, any requirement as to residence within that State or Union territory prior to such employment or appointment.

But so far as All India Services and Central Services are concerned, there is no such provision. In the case of the Indian Administrative Service, there is no such rule, in fact it is just the other way round. Under the British rule there was a definite practice that a person was never posted in his own district. Supporting such practice, Gorwale writes : There is a considerable body of opinion, both among the services and among non-officials, which holds that it is desirable that officers should as far as possible be allotted to provinces other than those of their birth. While it is true that this may mean less local knowledge and in some cases necessitate the learning of new language, yet it is felt that these disadvantages are more than outweighed by the independence from localities which follows service outside one's own province. In such circumstances there is, as a rule, no conflict, as private virtue has no sphere of operation. Moreover, such allotment would make a valuable contribution to the cause of national unity. This view has prevailed with the Government. The present position is that, as a deliberate policy, at least half the recruits are sent to serve in States other than their own. So far as the recruits themselves are concerned, each candidate while filling out the form of application, indicates his first and subsequent preferences for the State he would like to be posted in and ordinarily these preferences are taken into account in making postings. However, a kind of indirect representation to the State was given in the IAS when, at the time of the first emergency recruitment to this service, in 1948-49, a number of officers of the State Executive Service was promoted to the IAS rank.

So far as linguistic consideration is involved, India with its 18 different languages in use in different parts of the country, presents a complicated problem. At present, so far as State Civil servants are concerned, they have to pass a departmental examination in the official language or languages of the State concerned. Regarding the Union Government employees, they must know Hindi and pass a departmental examination in it. Hindi has been adopted as the official language of the country by Article 343 of the Constitution. As regards the All India Services, the officers must pass a test in Hindi as well as the official language of the State in which they are posted. There is no problem in India with regard to the difficulty caused by the different systems of education prevalent in different parts of the country. The system of education is, by and large, uniform throughout the country. However, the residents of the States with a long history of educational facilities have obvious advantages in competitive examinations over the persons from relatively backward States where educational facilities started much later.

Questions for Discussion.

1. What is HRM ? Describe the Principles of HRM.
2. Describe the basic principles of HRM. What are the two versions of HRM?
3. Point out the salient features of HRM. What would be the role of HRM in changing environment ?
4. What are the functions of the different departments of HRM ?
5. Give an idea of the shape of future organisation. What would be the role of HRM in the future organisation ?
6. Describe briefly the stages of development of HRM.
7. Describe Taylor's Scientific Management. Point out its contribution to HRM.
8. Write a note on Women and Central Government services.
9. Explain how our Constitution guarantees equality of women in employment.
10. Describe the provision of the United Nations against discrimination of women in employment.
11. On what grounds the Committee on the Status of Women in India recommended equality of women ?
12. Trace the evolution of Civil Servants from ICS to IAS.
13. Discuss the recruitment process of IAS cadre.
14. Describe the methods of determining qualifications for Indian Administrative Service.

15. Write a note on reservation in administrative service.
16. What are the constitutional provisions regarding reservations for Scheduled Castes and Scheduled Tribes ?
17. What are the arguments most commonly put forward in favour of regional representation in the services ? How far, in your opinion, are they tenable?

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Module 2 □ Recruitment and Selection

Section-I

MANPOWER RECRUITMENT PROCESS

There are two denominators to the recruitment process. One is that, in all cases, recruitment involves locating and attracting adequate human resources to fill existing vacancies. The other is that, recruitment is an absolutely critical management activity. If the right people cannot easily be identified, sooner or later there will be no tomorrow for the organization. No employer can survive in the absence of human resources. Recruitment is also an area in which there are important social and legal implications. Vacancies in an organization occur through someone leaving or as a result of expansion. Recruiting a new employee may be the most obvious step when a vacancy occurs, but it is not necessarily the most appropriate. Some of the other options are as follows :

1. Re-organise the work : Jobs may be rearranged so that the total amount of work in a section is done by the remaining employees without recruitment.
2. Use of overtime : Extra output can be achieved by using overtime. Few HRD managers like the extensive use of overtime and it lacks logic at a time of high unemployment, but it may be the best way of dealing with a short-term problem, i.e., during sickness or maternity leave of an employee.
3. Mechanise the work : There are ways in which the work of a departing employee can be mechanized, though it is seldom feasible to mechanise a single vacancy.
4. Make the job part-time : Replacing full-time jobs with part-time jobs has become a widespread practice. It also provides flexibility by turning one full-time job into part-time posts.
5. Outsourcing : Outsourcing refers to a situation where a company subcontracts to another supplier the work that it was previously performing inhouse.
6. Use an Agency : Another strategy is to use an agency to provide temporary personnel, who is not a permanent liability to the company.

Once the employer has decided that external recruitment is necessary, a cost effective and appropriate method of recruitment must be selected.

Recruitment or employee selection is the first step in the employment of labour and the methods through which labour is brought into the organization has much to do with the ultimate success or failure of the company.

Recruitment is a process that not only helps to fill a vacancy physically, mentally and temperamentally but also helps to develop an employee into a desirable asset. The selection process finds persons with potential to grow in the organization.

Theories of Recruitment : As per Behling and others, there are three ways in which an individual make a decision to join an organization, viz. objective factor, subjective factor and critical contact. Accordingly, following three theories of recruitment have been evolved :

- Objective factor theory.
- Subjective factor theory.
- Critical contact theory.

(a) **Objective Factor Theory :** As per this theory, the choice of organization by a potential employee depends on objective assessment of certain tangible factor, such as the following :

- Pay and perks.
- Location.
- Opportunities for career growth.
- Nature of Work.
- Educational opportunities, etc.

(b) **Subjective Factor Theory :** According to this theory, compatibility of individual personality with the image of organization is a decisive factor in choosing an organization by an individual candidate seeking employment.

(c) **Critical Factor Theory :** There are instances when a candidate is unable to choose an organization, out of alternatives based on objective or subjective factors which are given above. This is due to many reasons, such as limited contact and insufficient data, in regards to the organization or his own inability and come to any firm conclusion. In such cases, certain critical factors observed by him during his interview and contact with the personnel of the organization will have profound influence in his decision process. Examples of critical factors are the impression made by recruiting personnel on him, the business like manner in which the recruitment process is ^airied out, nature of facilities presented, etc.

It must be remembered that the theoretical base given above, is developed by Behling and others was mostly influenced by the labour conditions which exist in developed nations like USA and West European nations like UK, France and Germany. In these countries vacancies are plenty and there is a scarcity of suitable hands. In developing nations like India, the reverse is the case, where vacancies are less

and hands are more resulting large scale "educated unemployment". The theoretical base given above as such, cannot be applied in Indian conditions except in high paid jobs like R&D and marketing, where higher skill and better knowledge are the prerequisites. In such cases, candidate has a variety of choices and he is the master of his choice. In production, servicing and clerical jobs, unemployment is high where the number of job seekers far exceeded the vacancies. In such a situation candidates have little choice and grab whatever be the job offered by whichever be the organization. In such cases, the potential employers/organization is in a better position to choose the candidates from many available.

A. Selection and Recruitment :

Technically speaking, recruitment and selection are not synonymous. Recruitment means announcing job opportunities to the public in such a way that a good number of suitable people will apply for them. Selection means choosing from that number, those applicants who are most likely to succeed in the jobs. An interview is the most widely used technique for selection.

Selection is a process of weeding out the unsuitable candidates and finally arriving at the most suitable one. In this sense, recruitment is a positive process while selection is a negative process of rejecting most of the candidates, leaving only a few who are considered suitable.

A properly planned and systematic recruitment policy is necessary to minimize disruption of work by constantly changing personnel and achieve equitable distribution of employment opportunities.

Recruitment policy should take into account that high caliber personnel are essential to have but hard to find. Despite tremendous unemployment, it is not easy to find the right type of personnel. In the expanding industrial economy of India, the demand for top management, technical and scientific personnel is expanding at a fast rate with the result that an all-round shortage of such personnel is being felt. Many companies indulge in "pirating" i.e., attracting executives from sister organization on higher salaries. But this does not, in any way, expand the supply of such personnel. Therefore, a sound recruitment policy has to be based on a comprehensive programme of management development.

Recruitment needs fall into three broad categories—planned, anticipated and unexpected. The planned needs arise from changes in organizational decisions and retirement policies, unexpected needs arise from individual's decisions to leave the company and from ill health, accidents or deaths. The anticipated category comprises those jobs which the organization, by studying the trends within and outside the company, can predict.

Careful recruitment of employees is particularly important in India for two reasons : first, under the existing legal conditions, when an industrial worker is discharged, and industrial dispute can be made by the employee in regard to such discharge and the Tribunal would determine whether the termination of service was justified and to order reinstatement if the order was not appropriate. As a precaution against unjustified discharge, certain rules of procedure are required to be strictly followed by the employers before the order of discharge is passed. Failure to carry out this procedure undermines the case if it goes to an industrial court. Secondly, the chances of mismatching the job and the person are much higher in India. Matching the job with the suitable applicant is naturally a two-way process. Under the present labour market conditions in India, the employee's choice is very much limited and he will accept any job irrespective of his suitability. Under such conditions, the pressure to properly match man and job is only one-sided—from the employer's side only.

In India, the organizational practices in selection vary widely. The private and public sector organizations differ in their selection practices. Selection for public sector undertakings is done through Public Service Commission, Banking Service Commission, Subordinate Services Commission etc.

Sources of Recruitment: There are two main sources of recruitment from which employees may be recruited : (1) Internal sources, i.e., recruitment from within the organization and (2) External sources, i.e., recruitment from outside the organization.

Internal Sources : It is better to look for the candidates first within the company by examining the list of personnel for jobs being considered. Sometimes suitable candidates can be found within the organization itself. Recruitment from within the organization should be encouraged as a method of recruitment because it contributes to building up good morale among workers. Existing employees should be given opportunity to switch over to another job which they consider more congenial. A planned promotion policy will take care in many vacancies in the higher grade. Many progressive organizations of India follow this practice and whenever a vacancy arises, it is filled by promoting a suitable employee from the lower cadre.

Promotion from within has several advantages : (a) it builds up morale; (b) it encourages efficient people who have ambition; (c) it is less costly than outside recruitment; (d) it improves the probability of a good selection, since information on the individual's performance is readily available.

The policy of preferring internal candidates, however, suffers from some disadvantages. It may lead to inbreeding, discouraging new blood from entering an

organization. If promotion is based on seniority, the really capable hands may be left out.

External Sources

Employment exchanges : Employment Exchanges have been set up by the Government for bringing together seekers of employment and the employers who are looking for workers. Compulsory notification of all vacancies up to the level of supervisory positions to the employment exchanges is now required by law; but while notification of vacancies is compulsory, selection of applicants resets with the management, who are at liberty to call on other sources as well.

Employment Exchanges are however, still unpopular sources of recruitment among most private sector companies. This source has not been found effective, particularly for skilled personnel.

Advertisement : Advertisement in newspapers is the most widely used method for attracting qualified and experienced personnel. The higher the position in the organization, the more widely dispersed the advertisement is likely to be. When qualified and experienced persons are not available through other sources, advertising in newspapers and professional and technical journals is resorted to. Whereas all types of advertisements can be made in newspapers, only particular types of posts should be advertised in the professional and technical journals. For example, only accounting jobs should be advertised in the journal of Chartered Accountants. In preparing an advertisement, great care has to be taken to ensure that only qualified people will think of applying. If the advertisement is clear and to the point, candidates can assess their abilities and suitability for the post and only those who possess the requisite qualifications will apply. Important newspapers like The Statesman, The Hindu, The Times of India publish classified advertisements and certain days of the week are fixed for recruitment advertising.

Many firms use, what it call "blind advertisement", in which the organization does not reveal its identity. Blind advertisements use Box No. and do not publish the name of the company that is advertising. Respondents are asked to reply to a Box No. The use of box number will prevent a large number of applicants from canvassing for the job, but they do not attract good candidates who feel that it is not worthwhile to apply without knowing the name of the organization. That is why large organizations with a national reputation do not use blind advertisement.

Casual applications : Candidates send applications for jobs on their own initiative or after learning about vacancies from reliable sources. The personnel manager should see all such casual callers for sometimes ; a most desirable type of employee

could be discovered in this way. This source is clearly inexpensive and it can fill vacancies, particularly of the clerical variety.

Candidates of present employees : Candidates introduced by present employees may be a good source from which employees may be drawn and many firms recruit such persons as something of their background is known. Moreover, if the candidate of an existing employee gets preference in the matter of recruitment, it is sure to develop a sense of belonging amongst workers. Many organizations actively encourage "employee referrals". This, however, is likely to encourage nepotism i.e., persons of one's own community or caste may only be employed. This may create problems for the organization.

Educational Institutes : Educational institutions are an important source of recruitment. For technical, managerial and professional jobs, specialised institutes like the IITs and IIMs and university departments are used. The specialized institutes have a placement officer, who normally provides help in attracting employers and arranging for campus interviews. College recruitment, which is one of the important sources of recruitment in USA, is completely neglected in India. This may be due to excess of supply over demand for college graduates.

Employment agencies : These days, special agencies or consultants are emerging for searching out suitable candidates for their clients. They are retained by companies to select suitable candidates for vacancies. Very often, these agencies also recruit on behalf of the organization without necessarily disclosing the identity of the organizations. They go as far as short-listing the candidates for the organization, but the final selection is made by the representative of the organization. Generally, services of such consultants are utilized for filling specialized and managerial vacancies. ABC Consultants, A. F. Ferguson Associates, Beam Services are all familiar names. Sometimes, services of agents or consultants are taken by companies in foreign countries (i.e., recruiting for Gulf) to fill in vacancies there from India.

This is an expensive method of recruitment and it is restricted to high level job openings. The consultants, using its own name, can serve a company that does not wish to be identified until suitable candidates have been found.

Raiding : Raiding means attracting the employees working elsewhere to join the organization. Even though many hiring companies believe that it is unethical to directly contact the employees of other organizations, some companies do engage in such raiding. This is particularly true where the need to recruit is especially pressing.

The above mentioned sources of recruitment are commonly used by both the public and private sectors in India. While there is little difference in policy, the public

sector depends more heavily on the institutionalized sources. In many cases, public sector undertakings follow the policy of giving preference to Scheduled Castes and Scheduled Tribes and displaced persons. Certain percentage of vacancies is reserved for them. As per Mandal Commission's recommendations, 50% jobs in the public sector are to be reserved for Scheduled Castes, Scheduled Tribes and Other Backward Classes.

A large number of companies in India are family-controlled. In these companies managerial personnel are selected from among members of the controlling family, and their position as well as upward mobility are determined by family considerations. Thus, in many Indian firms, managers are selected not on the basis of degree but by pedigree. The required qualifications for managerial posts are "good family connections" or recommendation by an influential minister. Since Indian companies encourage aristocracy instead of meritocracy, of rewarding status rather than talent, many well qualified young men without pedigree feel frustrated. Since widespread nepotism is found prevailing in them is well-known, they cannot attract talented people from the market.

However, the employer in this country is not always free to choose the best candidate. Agreement with unions may influence the selection process. Sometimes, it may be necessary to take candidates from the union. Moreover, the Government's influence in the recruiting process should not be overlooked. In public sector appointments, a small percentage of posts are kept reserved for Scheduled Castes and Tribes, OBCS and sometimes for the physically handicapped.

Headhunting : Very senior managers are sometimes recruited by a process known as "executive search" or "headhunting". Its advocates believe that the best candidates are not only those who reply to advertisements or look for new jobs, but also those who are successful in their present jobs and are not thinking of moving elsewhere.

On receipt of a commission from a client, the headhunter will search for potential candidates (i) in competing businesses, (ii) in the membership lists of professional bodies, newspapers, (iii) through confidential headhunting network. Selected candidates are then approached discreetly, and one or two of them are introduced to the client firm.

The advantage in headhunting is that, top managers already in employment will not bother to read job advertisements, newspapers and other media and can be reached only by this means. Secondly, senior managers prepared to consider a move, sometimes make this known to leading headhunters, even though they would not openly apply for the post.

Headhunting has its disadvantages

1. Headhunting is highly disruptive to successful business, which stands to lose expensively trained senior managers.
2. A headhunted individual might subsequently be enticed by other headhunters to leave his new firm after a short period. To avoid this, some companies attach golden handcuffs to senior management position i.e. they pay large cash bonuses which are only available to executives who stay with the firm for a certain numbers of years.
3. An unsuitable candidate might bribe the headhunter to recommend him for the vacant job.

Pre-independence Period

For the pre-independence period, we first turn to the findings of the Whiteley Commission regarding the sources from which labour was drawn, and the agencies and methods of recruitment. In regard to the former, its main findings were as follows :

1. The smaller centres drew on the surrounding rural areas for all the workers they require, except labour demanding special skills.
2. The only centres which had reached the stage of being compelled to go far afield for the bulk of their labour were Jamshedpur, Bombay and Hooghly.
3. The Indian factory operatives were nearly all migrants from rural areas.

The recruit to industry continued to regard the place from which he came as his home.

The Whiteley Commission considered the link with the village—a distinct asset and recommended that this should be maintained.

The Rege Committee, reporting in 1946, concluded that the majority of factory workers had little stake in agriculture. They were pushed rather than pulled to the cities. Their occasional visits to the village homes were more for rest than for attending to cultivation. The Rege Committee differed with the Whiteley Commission on the need for an industrial worker to retain a nexus with his village. Since most of the industrial workers were landless, there was no necessity of going back to the village frequently. There is nothing to suggest that conditions of employment, wages and housing are any better in the village than in the town. It seems desirable that the conditions of living in industrial areas should be improved, and the causes which compel the workers to go back to the villages should be removed.

The traditional agencies and methods of recruitment, i.e., recruitment through intermediaries and jobbers, have not still lost their importance. The Commission

pointed out the evil associated with this method of recruitment, and recommended direct recruitment instead by the manager of the unit or by an officer specially appointed by him for the purpose. The Rege Committee agreed with the Royal Commission on the evils of the system and urged that steps should be taken to regularise the system of recruitment for industries or put some method into it.

The Labour Investigation Committee reported, that except for skilled and semiskilled workers, most of the labourers in factories were recruited direct at the factory gate. The factory manager or labour superintendent brought vacancies to the notice of existing employees whose recommendations were considered by the manager. A few concerns appointed labour officers for the purpose. Recognised unions in rare cases were informed about likely vacancies. Skilled workers were appointed by inviting applications and subjecting selected applicants to tests and interviews, if necessary.

The method of recruitment in most mines was a heritage of the past. A most common method of recruitment was the system by which zamindars, owning mines, gave small holdings to workers on condition that they should work in their mines. This arrangement was severely condemned by earlier committees and commissions but had not been entirely rooted out when the Rege Committee reported in 1946. During the war years, when coal production had to be stepped up considerably, direct recruitment was found inadequate to meet the demand for labour. Recruiting Sirdars, who had always been on the scene became more prominent.

Recruitment in tea plantations in Assam and North Bengal was governed by the Tea Districts Emigrant Labour Act, 1932. Workers for the Assam gardens were drawn mostly from Scheduled Tribes belonging to Bihar, Orissa and Madhya Pradesh. The Tea Districts Labour Association, set up by the Industry itself, arranged for the labour required by the planters. The Bengal gardens attracted labour mostly from Bihar. 'Kanganis' operated in South India. Many of them were themselves erstwhile workers in the gardens, and because of their contracts and get-work-done, they were engaged to bring labour, for which they received a commission on the earnings of the workers they brought. The Kanganis differed from Assam Sirdars in a way they not only served as a recruiting agency but also helped workers who were in difficulties, and acted as a liaison between workers and management. A distinct feature of recruitment in plantations was that the unit of recruitment was the family and not the individual.

In several areas, recruitment was done through contractors. This system operated in the construction industry, in ports and docks, in selected operations "on railways, in quarries, mines and many other organized sectors. Legal abolition of the contract system was recommended by the Royal Commission. The one area it made an exception of, was the Public Works Departments. In recognizing the limited need for

contract labours, the Rege Committee urged its abolition where necessary, and regulation of conditions in others, where its continuance was unavoidable.

Post-Independence Development

The immediate problem in the field of employment and recruitment in post-war years were of a different nature. The emphasis was more on rehabilitation of demobilized and displaced persons than regulation of procedure for all who sought employment. The Government announced that the organization set up for channeling labour required for the war effort be adapted to the needs of the new situation. The Director General of Re-settlement and Employment was used as an agency which could recommend placement for persons registered with it. During 1947-1950 about 2.5 lakh persons found employment every year through that agency.

The First Five Year Plan recommended that more attention should be given to improvement of initial recruiting arrangements, and to possibilities of extension of the decasualization scheme. It also recommended a review of the working of the National Employment Services (NES) to enable it to meet the growing requirements of the future. In another area—employment on multipurpose projects—in order that the skills acquired on one project did not go waste, a long-term recruitment policy was formulated which synchronized displacement in one project with recruitment in another. On the recommendations of the Shiva Rao Committee (1954) measures were taken for the transfer of the NES to the State Government, and the services were also placed on a permanent footing.

The Second Five Year Plan took note of the reorganization of the NES and made no special recommendation about the Service as an agency of recruitment. It urged the gradual abolition of contract labour. The Employment Market Information Programme was started in 1958 to seek voluntary returns from employing agencies, with a view to finding not only the possible areas where employment was likely to expand or contract, as also the surplus skills or skills in short-supply. The NES also started disseminating occupations information, prepared a National Classification of Occupations and provide career information to job-seekers through Vocational Guidance Programme. These programmes were expected to help further in organizing the labour market and regularizing recruitment. During this period, however, the average annual placements did not register a commensurate increase.

The Employment Exchange (Compulsory Notification of Vacancies) Act, 1959, made it compulsory for an employer to notify his vacancies to the NES. The main purpose of that legislation was not so much to control the sources and agencies of recruitment as to have a better appreciation of the state of the labour market. With

the formal winding up of the Tea Districts Labour Association which regulated recruitment on plantations, a Government agency came for the first time to regulate recruitment on plantations.

The Third Five Year Plan witnessed a further extension in the NES which had at least one office in almost every district. University Employment Bureaux were opened to help students in securing placement. Special Employment Exchanges were set up to cater to the needs of colliery workers, the physically handicapped and rural workers. There was, however, inadequate follow-up due to (1) Indo-Pakistan Conflict of 1965 and (2) the continued recession thereafter, both of which created imbalance in the supply and demand position for wage employment.

There was a steady increase in the number of employment exchanges including University Employment Information and Guidance Bureaux from 312 at the end of March, 1961 to 458 at the end of October, 1969. In the Fourth Plan, the employment service has been expanded by strengthening the Employment Exchange machinery, University Employment Information and Guidance Bureaux, vocational guidance and counselling centres, and employment market programme for collection of employment data.

Over the last twenty years, the NES has played a useful role in bringing together employers and job-seekers. It has spread its network throughout the length and breadth of the country. The Service has on its register over thirty lakhs jobs-seekers and it places in employment nearly five lakhs workers per year. The NES has been facilitating the geographical mobility of about twenty-five thousand workers annually. It has also played a role in the placement of workers rendered surplus in construction projects and in the rehabilitation of ex-servicemen, physically handicapped and displaced persons. With the development of related programmes like the collection and dissemination of employment market information, vocational guidance, job research, etc., the NES developed itself into a multifunctional placement agency.

But statistics indicate that employment exchanges are used as an agency for recruitment by a comparatively small number of private employers. The National Labour Commission urged that a sustained publicity drive in respect of the programmes and achievement of the NES, and the skills available and the manner in which it operates etc., should be undertaken to evoke responsible attitudes in employers and job-seekers alike.

One defect with the Employment Services is that, it is confined mainly to urban areas, and hence job-seekers in rural areas are not able to avail themselves of the facilities offered by the Service. To remedy this defect, the National Labour Commission insists upon the extension of the operatives of the NES in a phased

manner over the next ten years to all towns with a labour force of ten thousand so that rural workers may increasingly take advantage of these Services. Many progressive establishments resort to selection through competition even at lower levels of skill. This is a healthy trend which should be encouraged.

Employment Exchanges—the field agencies of the NES have now developed into an important manpower organization. Under the instructions of the Central and State Government, recruitment in the public sector is made through them for all vacancies outside the purview of the Public Services Commission. Recruitment through other sources is permissible only when the Exchange is unable to supply suitable candidates. Since day-to-day administration of the Employment Services was delegated to the States in 1965, standards differ from State to State and development of related programmes has not been uniform. It is essential that the National Employment Services should operate at a uniformly high level of efficiency throughout the country. There should be uniform standards, policies and procedures in all States to enable the Services to work as a well-knit and co-ordinated organization.

The administrative set-up of the National Employment Service as a State agency has to be geared to the needs of the country. The agency has to be strengthened to help efficient utilization of national manpower required for planned economic development. For this purpose, it would be necessary to foster and strengthen the national character of the Employment Service.

Let us consider agencies, other than the NES, currently operating for recruitment to organized employment.

In factories, recruitment through present employees still continues to prevail. Employers prefer this method to improve the morale of workers. In some companies, labour management agreements specify entitlement to a percentage of vacancies to close relatives of senior employees. Recruitment through advertisement is restricted mainly to supervisory and white-collar jobs that is being increasingly used to tap skilled labour. For unskilled jobs, an agreement by which workers appear at the factory gate in the hope of getting a job still operates. In the more organized sectors, recruitment is regulated by 'budli' control system. Every factory requires a supply of substitute labour or 'budli labour' to fill vacancies caused by absenteeism. Under this system, an official agency maintains a roster of persons who are eligible for employment and on its basis seeking work are selected.

While this is the general position, there are cases of departures from it in many new units. Recruitment in these units is done by approaching technical institutes. Some establishments have entered into arrangements with the Industrial Training Institutes of the Directorate General of Employment and Training, under which the

I.I.T.'s supply their trainees in accordance with the specifications of the employing agency. Though these are isolated instances, they are a welcome trend in the method of recruitment.

In mines, employment through intermediaries and contractors is still not uncommon. In many mining areas, settled labour is available for employment and the employer finds it useful to engage it on prevailing terms of work. Another agency of recruitment is Gorakhpur Labour Organization (GLO), an integral part of the NES which supplies labour mainly to coal mines. Gorakhpur Labour is a generic term for labour belonging to the eastern districts of U.P. Besides the coal mines, the GLO helped the Government of India and U.P. Government in supplying labour for—(1) the group employment scheme of the Government of U.P. under which construction of roads, canals, dams and bridges was undertaken by the Government; (2) the Government of India projects for construction of border roads in the U.P., W. Bengal and Assam; (3) the National Coal Development Corporation and the National Mineral Development Corporation in Kiriburu and Jarnmu and Kashmir; (4) the defence projects of the Government of India and (5) the Border Roads Organization, Government of India.

Apart from recruitment through the GLO, mines in West Bengal, Bihar, M.P., Orissa and Andhra Pradesh attracted labour from eastern U.P. through contractors of labour.

In plantations, the system of recruitment through intermediaries still prevails but since independence this system has lost its importance. Many states have settled labour and on that account, local labour is available for recruitment. A large number of workers are employed as casual labour or through contractors. Unskilled workers are generally recruited through the existing employees. A special employment exchange has been set up in Assam for helping labour to get employment opening in tea estates. In the South, the pernicious Kangani System was abolished from January, 1960.

In Ports and Docks, advertisement is the general mode of recruitment for skilled and semi-skilled post. The Government of India took legislative step to regulate the employment of dock workers at major ports by enacting the Dock Workers (Regulation of Employment) Act, 1948, under which a scheme for the registration of dock workers was introduced with a view to securing more regulated employment, and for reducing hardships caused by employment, under-employment and uncertainties of employment. The Dock Labour Board which was constituted under the scheme, was entrusted with its working. The National Labour Commission recommended that the provisions contained in the Dock Workers (Regulation of Employment) Act, 1948, should also be extended to casual labour engaged by the port authorities.

According to many labour organizations, there has been no improvement in the traditional practices of recruitment. On the other hand, employers claim that over the years, the recruitment system has been placed on a sound footing, and impersonal methods of recruitment are now more common. Both the claims could be justified though in different areas. Traditional sources and agencies of recruitment still continue in mines and plantations, though on a reduced scale. The exploitative character of such agencies of supply, however, is on the decline due to the spread of awareness among the job-seekers. On the other hand, impersonal methods of recruitment are gradually gaining ground in the organized sector.

Sons of the Soil :

The question of preference of local population in the matter of employment within the local area has of late assumed a complex character. The Bihar Labour Enquiry Committee observed that the sons of the soil should be given their rightful share, the Rege Committee pointed out that the evils associated with recruitment in general would be remedied if recruitment was based on scientific principles and effected through an impartial agency like the Employment Exchange. Public opinion accepted the logic that among workers with equal efficiency and skill, an employer should prefer local persons. Recently, the demand for the sons of the soil has acquired political overtones in many states, mainly because economic development has not been commensurate with increasing local expectation. The employers' organizations urged that while people of the locality should have employment opportunities any organized movement against persons coming from outside was undesirable. On the other hand, the unions and the general public complained about inadequate opportunities, and demanded that preference should be given to local people in the matter of employment.

Industrial units can be divided in two groups—old and new. The former will have vacancies due to retirement, resignation, death, discharge, etc. Such vacancies will arise at different levels of responsibility. The Management will be under pressure for filling vacancies at the senior level through persons from within the unit. Prudent managements avoids possible conflict by judicious adjustment between promotes and newcomers. This process of internal promotions will cause more openings at lower levels where attraction for persons from distant places may be limited. With new education policies in the country emphasizing the local language as the medium of instruction in schools, persons will have less incentive to migrate for unskilled or junior level jobs. In the long run, this factor will favour recruitment of local people in unskilled jobs.

In the case of new units, persons from outside the locality are alleged to create difficulties in housing health and sanitation and they provide a motive to employers to engage local people. Thus, a large part of the employment opportunities would in the normal course, go to local persons.

The main elements in the claims on behalf of the 'sons of the soil' have long been recognized by the Govt. of India when it laid down the following principles in the matter of recruitment to its public undertakings.

1. It will be advantageous to the units if local persons are appointed to posts in the lower scales. In the case of all unskilled workers, they can generally be drawn from the locality where the project is situated. Efforts should be made in such recruitment to give preference to persons displaced from the areas acquired for the project, especially of Scheduled Castes and Scheduled Tribes. Next preference should be given to those who have been retrenched from other Government undertakings.
2. In the case of skilled workers, clerks and other non-technical staff whose scales are comparatively low, so long as the basic qualifications and experience are forthcoming, preference should be given to local candidates.
3. In the case of middle level technical and non-technical posts having higher starting salaries equivalent to Class-I Junior Scale of the Govt. of India, recruitment should be made on an all-India basis, merit and qualifications being the main criteria.
4. In the case of higher non-technical posts, e.g., top general management, finance and accounts, sales, purchase, personnel management, carrying a salary of Rs. 4,500 and above, candidates available on the Industrial Management Pool should first be considered. Failing such candidates, there should be advertisements on all-India basis.
5. For the higher technical posts, the best qualified persons will have to be recruited, either by advertisement on an all-India basis or by personal contact.

The above steps should be followed in the private sector as well.

Manpower Selection Process : Interviewing

Section-II

MANPOWER SELECTION PROCESS : INTERVIEWING

Goal : The interviewer's goal in selection is to match human characteristics and abilities with the demands of jobs.

This objective is most succinctly expressed as "to find the right man for the right job." Various techniques of personnel selection are in use in Indian industry. Techniques used by a particular organization depend upon a number of factors. Large organizations use more sophisticated selection techniques than small organizations. Again, selection techniques differ according to the kind of personnel that are to be selected. For instance, techniques used for the selection of managerial personnel ought to be different from those used for clerical or semi-skilled personnel.

Good selection is important for all firms, especially for a small one. In a small organization, the effect of poor selection and inadequate training can have more disastrous results than in a large company.

The selection of a wife in a monogamous society is felt far more important than equally poor selection of a third or fourth wife in a polygamous society.

Tool: The application blank is used as a selection tool. When filled out, it provides factual information needed for evaluating the candidate's suitability. It is also used as a basic record of his personal data, if he is hired. Different forms may be used for different types of jobs. A company may use one type of form for applicants for salaried positions and a different type of form for manual workers. Application blanks of different companies differ in detail and the main items of information requested on application blanks are given below.

Selection Strategy : Consideration of selection strategy emphasizes (i) vacant ratio (number of candidates available for the vacancy) and (ii) the probable cost of appointing an unsuitable candidate as the two most relevant parameters. These may be regarded as independent issues and can therefore be represented as the vertical and horizontal axes of a diagram as follows :

Many	A	B
Few	C	D
	Low	High

Figure 6.1 : Selection Strategy

Probable cost of selecting unsuitable candidates. Four situations—A, B, C, D are represented in figure 6.1 given above. Now we consider probable solutions for each.

Situation A : In this situation, there are many applicants and the cost of wrong selection is low, e.g., little investment is needed to train the recruits. The above strategy here, would be to apply screening devices, such as application blank, short interview etc. which involve minimum cost.

Situation B : In this situation we find many applicants but the costs of wrong selection is very high. The right selection strategy would be tests, medical examination and series of interviews to prevent wrong selection.

Situation C : Here we find very few candidates but the cost of wrong selection is low; the strategy here would be, take all of them (if there are so many vacancies) and see how they turn out.

Situation D : Here we find candidates but the cost of wrong choice is very high. There is no obvious strategy. The management has to depend upon experience for guidance.

SELECTION PROCEDURE

A. The Application Blank

The primary aim of employee selection is to choose those persons who are most likely to perform their jobs with maximum effectiveness and to remain with the company. The application blank or application form and employment interview are the two widely used selection methods, and they are often used in combination to supplement each other.

The application blank provide the following information :

- a. Identifying information such as name, address, tel. No..
- b. Personal information such as marital status, age, dependents, place of birth.
- c. Physical characteristics, such as, height, weight, health, defects, identifying marks.
- d. Family background.
- e. Education, academic, technical and professional.
- f. Experience.
- g. Reference.
- h. Miscellaneous comments including hobbies, financial status, membership of professional bodies.
- i. Reasons for seeking job in the organization.

Some are of the opinion that application blanks and tests should be used to secure quantitative information whereas interviews should be used to gather qualitative information. But actually it is difficult to draw a clear line of demarcation between qualitative and quantitative information. A more practical approach is to gather as much factual information as possible on the application blank and then follow up in the interview with detailed question on them.

B. The Interview

The interview proves to be almost a universal selection tool. Dealing with people has always been an art and not a science. Successful interviewing is an art rather than a science as it involves dealing with people; yet there are certain characteristics that are common to all satisfactory interviews. Once applications have been received, they have to be scrutinized to decide which candidates will be interviewed. This process demands careful attention because when a large number of people have applied for a job, there is always the possibility of excluding better candidates than those who manage to secure an interview.

The interview is a face-to-face, oral, observational and personal appraisal method of evaluating the applicant. It can also be described as a conversation with a purpose and is used almost universally in the staffing process. There are three purposes that may be served : (i) giving information that will help the applicant make up his mind about the company or the selling aspects, (ii) obtaining relevant information from the candidate and (iii) making the candidate feel that he has been fairly treated. In this country, obtaining information has been the primary objective of interview rather than giving information.

The interview makes three unique contributions to the selection process. First, it is the only way to see an applicant in action—how he looks, his manner, his bearing. Second, it is the only way to witness how he interacts and how he responds—his way of thinking, the effect of his personality on others. Third, it is perhaps the best way to get at the “will do” features of a performance—motivation, initiative, stability, perseverance, work habits and judgments. The so-called “can do” aspect can be examined by application, test and reference checks. Under the “can do” factors, the following elements are included—appearance, manners, availability, education as required by the job, intelligence, ability to solve problems, relevant experience, knowledge, physical conditions and health.

Under the “will do” factors are included the following character traits—stability, industry, perseverance, willingness to work, loyalty and leadership.

Interviews are carried out in many ways—by the department head, by a personnel officer along with the line executive, by the interview board consisting of senior executives or by a committee as in the case of public services.

Interviews in which just a few questions, mostly unrelated to the job, are asked, and the candidates unceremoniously dismissed, naturally create the impression that the interview is only a formality and that the decision in selection depends on factors other than the candidate's merit or performance. Not only are qualified candidates disappointed, but they rightly take away a bad impression about the agency as such.

Rules of Interviewing : The techniques of good interviewing must be based upon sound rules. We shall consider the question by examining the following aspects of interviewing—(1) purpose, (2) types, (3) technical factors and (4) rules.

Interviewing has been the most universally used tool in selection. Usually, the interview is done in conjunction with the application blank. More recently, the physical examination, psychological tests and the diagnostic interview rating chart have been added to the interview as a means of determining the fitness of an applicant for a given position. It should be noted, that these are merely aids to the interview and do not supplant the interview.

Although widely used as a selection technique, interviewing is one of the least reliable techniques. A study of interviews with Canadian army recruits showed that interviews developed stereotypes of good candidates, showed early bias, used favourable tones with one likely to be rejected and were influenced more by unfavourable information than favourable.

Staff selection involves three steps : (1) Assessment of job requirements, (2) assessment of applicant's qualifications, and (3) evaluation of whether or not the qualifications match the job requirements. Job analysis indicates the specific duties to be performed by the worker and the circumstances under which these duties are to be performed. The second and third steps involve the method of selection which includes a process of interviewing the applicant.

The main purpose of the selection interview is to determine the applicant's suitability for a job. The interviewer by means of talk and observation attempts to learn the applicant's mental, physical, emotional and social qualities—potential or developed. His primary objective is to select the candidates who will best advance his business objectives. The applicant generally hopes for more than a job—he wants a good job with fair prospects for advancement. So the employer has to keep this in mind and in the interview, he should serve the purpose of the applicant. He must give information that will help the candidate to decide whether or not to accept the post if it is offered to him. Thus the selection process is a rejection by the prospective employee as well as the employer. It is always wise for an applicant to

reject an offer that would result in an unsatisfactory situation in the long run, even though there may be short-term advantages. Thus, in the selection process, the interview should serve the purpose of both the employer and the prospective employee.

Turning to induction or planned introduction, the interview is a desirable way to give the prospective employee—information about the organisation's philosophy, policies and procedures.

The interview is a very useful tool in training. The interviewer seeks to transmit "know-how" and "know-why" by means of talk and demonstration. Moreover, it can serve to develop loyalty towards the management. The "stress type" interview is a good illustration of a training tool. Under this procedure, the candidate is exposed to various types of difficulties, obstacles and inconveniences. He is then evaluated on how well he has handled the situation.

The main qualification of a good interviewer is his ability to establish an empathy with a candidate. He should possess ability, intelligence, experience, a balanced emotional life and awareness of his own biases and prejudices. It is his job to establish rapport—a relationship of mutual confidence and free expression. Halo effect is sometimes closely connected with the interview, and is very dangerous. It is the tendency to judge the total worth of a person on the basis of one or two specific characteristics. Sometimes the interviewer is satisfied with one or two questions and gets the impression that the candidate is good in all respects.

Types of Interviewing :

There are different types of interviews in the field of human resource management: (1) the preliminary employment interview ; (2) the final hiring interview ; (3) the follow-up placement interview ; (4) the exit interview. From another angle, interviews may be classified as—(1) the planned interview ; (2) the patterned interview ; (3) the non-directive interview ; (4) the depth and stress interview ; (5) the group interview ; and (6) performance appraisal interview ; (7) Several individuals may interview one applicant. This is called panel interview and because of its cost, it is usually reserved for managerial job applicants.

(1) The preliminary employment interview : The preliminary employment interview is conducted with or without the preliminary application blank, filled out by the candidate, and it makes a preliminary selection of candidates who are thus sent for final interview and selection by the department head. The objectives of preliminary interview is to weed out those who are unsuitable, and thus save the time of the line executive. It is considered desirable where a large number of applicants are to be assessed. The preliminary interview should be conducted by someone who inspires confidence and is generally interested in people. The advantage of preliminary

interview is that it saves time for both the applicants and the final interviewer. It involves sorting out the applicants into two groups—those about whom the company needs more detailed information, and those about whom the company has no interest. The preliminary interview minimize unnecessary waiting by the rejected applicant. It also ensures that applicants whose names are already on the waiting list are considered.

(2) **The final hiring interview** : It is a wise practice that the final hiring interview be held in private where the candidate may feel free to answer questions and talk freely. The first condition of a satisfactory final interview is to create an atmosphere of friendliness. The friendly interview is designed to bring out the mental traits of the applicant such as attitudes, interests and capacities. The candidate should be made to feel that he is not giving an examination but has been called upon to give further information about himself. If the questions put to the candidate are not clear to him, the interviewer should clarify it. Unless the candidate is out at ease, it is not possible to make a right assessment of his capabilities. The applicant wants to sell his services and the company wants to secure these services. Thus, the hiring involves a dual selling relationship.

If during the final interview it is decided to employ the applicant, it is highly desirable to give him full information about the job. For many skilled or semi-skilled jobs, trade tests are used and if the candidate is found suitable, after the interview he is sent to the department concerned to take this trade test. If the applicant is selected, it is advisable to sell the job to the applicant without delay.

It is a debatable question as to who should be the final authority in selection. Sometimes the personnel officer performs this function. But this is not a desirable practice. The personnel department should neither hire nor fire. Employees should be selected by the executive under whom they will have to work.

Usually, large companies draw up application forms for labour, technical, clerical and management jobs. These forms are designed to meet the requirements of the particular organization and the type of work. The interviewer assesses the candidate in the light of the data on the application blank.

(3) **The follow-up placement interview** : Every new employee is on trail for a time. During this probationary period, it should be determined whether he is adjusting to the new situation. Is he interested in the job ? Is his supervisor satisfied with him ? Do the quality of his production compare favourably with existing standards ? These questions concern the interviewer.

The follow-up placement interview serves the purpose of establishing rapport with the new employees. It is wise to have a representative of the personnel department follow up the new recruit on the job. An officer of the personnel

department may have a chat with the employee during the afternoon of his first day at work. This will serve the purpose of sending him home after his first day's work in a satisfied mood. Usually, the new employee feels less hesitant to talk frankly in the follow-up interview than he did at the hiring interview. Moreover, after placement, the employee will get an opportunity to observe his work, the attitude of his fellow employees and his working environment and he may express his reactions to them. At the hiring interview, it is impossible to get all the information regarding the capacities and interests of the new employee. The follow-up interview may yield further information concerning the capacities of the new employee. The follow-up contacts with new employees should be made on the job.

(4) Exit or separation interview : It is conducted primarily with a view to finding out (1) the executive's reasons for leaving the organization ; (2) what he liked and disliked in the organization and (3) what suggestions he could give from what he had learnt to improve the overall working of the company.

In this country, exit interview is not widely practiced in industry. Withdrawal may take place due to death, discharge or voluntary resignation. Where the withdrawal is voluntary, it may be possible to arrange for an exit interview. It often reveals the cause of labour turnover. It provides an opportunity to question why the employee is leaving, and whether this has to do with lack of job satisfaction. A person who is going to leave the company may be ready to speak frankly about his difficulties and dissatisfaction which may throw light on selection and placement policy.

Techniques of Employment Interview

(1) Planned interview : The interview, to achieve its desired objective, must be pre-planned. Before the interview starts, the interviewer should prepare himself and should follow a definite plan of action. Before the candidate actually arrives, the interviewer should carefully study his application and try to memorize the more important details. The interviewer should plan in his mind what kind of information he is to seek, how he will conduct the interview, the steps of procedure and how much time he will allot to each candidate. When interviewing follows a definite course of action, it proceeds with a minimum waste of time. If necessary, however, deviations from the plan may be made.

(2) Patterned structured interview : Patterned interview is planned interview but it is planned to a high degree of exactitude. In other words, it is highly structured and a more formalized type of planned interview. It was designed by McMurtry to measure the personality traits that are wanted among all employees. Such traits are (i) stability ; (ii) industry ; (iii) ability to get along with others ; (iv) self-reliance ; (v) willingness to accept responsibility ; (vi) freedom from emotional immaturity and

(vii) motivation. The basis for this approach is that a candidate's future behaviour can be judged by his past performance. The patterned interview has got nothing to do with job skills. It is designed to appraise only personality, motivation and interests. A set of specific questions is used in patterned interviewing.

(3) **Non-directive interview** : During the non-directive interview which may be highly unstructured, the candidate is not directed by questions as to what he should talk about. Basic to this procedure is the minimum use of direct questions. Questions that can yield 'yes' or 'no' answers are avoided, and instead, broad general questions are substituted. In general, the non-directive approach is characterized by such practices as listening carefully, not arguing, not interrupting and allowing pauses in the conversation. The basic philosophy of such an interview is that a candidate is more likely to reveal his actual self than when he answers set questions. Perhaps, no employment interview uses the purely non-directive approach.

(4) **Depth and stress interview** : Depth interview, as such, is not a distinct type of interview. Here, the interviewer only goes into considerable detail on particular subjects of an important nature. Only through extensive probing of a candidate's background and thinking, it becomes possible to evaluate him properly. Take an example : a candidate has pointed out that touring is his favourite hobby. Under common type of interview this matter will not be pursued further. But in a depth interview, the subjects will be put to exhaustive analysis. The candidate would be asked when he tours, why he tours, where he tours, with whom he tours and how much money and time he spends on touring, and so on. The emphasis is upon the "why" and the "why of the why". The opposite of Depth Interview is Discussion Interview.

Under the stress interview, deliberate attempts are made to create pressure on the candidate to see how well he performs under stress. The stress interview may have some value for jobs where emotional balance is a key factor. This procedure was originally developed in the military services. It involves putting the candidate under severe emotional strain in order to test his response. It is characterized by the rapid firing of questions by several unfriendly interviewers. The stress interview was used in the selection of spies by the U. S. Govt., during World War II. It can also profitably be used in the selection of management and sales positions where resistance to stress is important.

(5) **The group interview** : The group interview is a relatively new technique in the West and almost unknown in our country. It is a procedure for the discovery of leadership. Several job applicants are placed in a leaderless discussion and interviewers sit in the background to observe and evaluate the performance of the candidates. A topic for discussion is assigned and at the beginning there is no

leader. The interviewer observes how one assumes leadership and how it is accepted by other members of the group. This method is useful in the selection of supervisors. But in such a situation, everyone might not get a chance to speak, and good candidates may be missed.

(6) **Panel or board interview** : Several individuals may interview one applicant. This is called a panel interview ; and because of its cost, it is usually for managerial job applicants.

C. Technical Factors

There are some factors common to all types of interviewing. These are language, the sense and mechanical aids. The effectiveness of an interview depends upon the skill with which these factors are utilized.

Interviewing is a conversation with a purpose and conversation involves the use of words. Words convey one's thoughts, ideas and feelings to another person. Words have sounds-phonetics-as well as meanings-semantics. The interviewer should not take it for granted that his words will convey the same idea to another person. There may be a semantic barrier. The interviewer should learn to avoid words which are likely to create antagonism and fail to establish rapport with the candidate. He should learn to select words which are likely to convey his thoughts favourably. Proper selection of words will establish rapport between interviewer and interviewee, and serve to minimise undesirable reactions. Words should be avoided whose meanings are not clear to the candidate. If any word is not clear to the candidate, the interviewer should use a different word. The interviewer must not forget that the purpose of interview is to obtain or give information, and not to test the candidate's knowledge of vocabulary.

The interviewer must use his sense to his advantage. Observational skills can be improved by practice. The interviewer should also take note of the behavioural pattern of the interviewee. He should particularly observe the mannerisms, personal habits or any abnormalities of the interviewee. In Western countries, mechanical aids are used to obtain transcription of interviews which can be replayed as and when needed, to verify the information obtained.

D. Rules of Interviewing : Training for Interviewers

The interviewer should follow certain rules during the interview. These rules have been evolved largely through trial and error. Adherence to these rules does not provide an unfailing high road to successful interview but serves to increase the degree of its effectiveness.

1. The first step in an interview is to establish a friendly and cordial relationship with the interviewee. The interviewer achieves this condition by being pleasant

in his greeting and by displaying active interest in the interviewee. The interview should not be hurried. No matter how busy the interviewer is, he must give the impression that there is sufficient time for an unhurried discussion. There can be no hard and fast rules regarding the length of time of an interview. It depends upon a number of factors such as the type of job, the method used and the candidate. The interview should be closed when the necessary information has been given and secured. The interviewer must not end the interview abruptly but close it tactfully so that the candidate feels satisfied that a patient hearing has been given to him.

2. The candidate called for interview should not be made to wait, or made to feel that he is a beggar who can afford to wait for an indefinite time. Moreover, this indifferent attitude towards job-seekers creates a bad impression on him and, even if appointed, he feels that the company is not interested in him. The interviewer should not forget that the first impression that a candidate gains of a company is very important.
3. One basic rule for good interviewing is to respect the interest and individuality of the candidate. Unless the interviewer shows a sympathetic attitude to the candidate's point of view and desires, it is difficult to develop an atmosphere of friendliness and confidence which is so essential to giving or getting information. The interviewer must not display an attitude of superiority as the interview is a conversation between equals.
4. Another basic rule of good interviewing is that the interviewer should do the minimum amount of talking himself and allow and encourage the candidate to talk freely and copiously. To provide ample opportunity for expression, sufficient time should be given.
5. One principle of good interviewing is to make the candidate feel at ease. The best way for the interviewer to put the applicant at ease is to be at ease himself. The candidate will be made to feel free if he is to start with a subject that is of interest to him, even if it is irrelevant to the main purpose of interview. Unless the candidate is put at ease and an atmosphere of friendliness is created, it is difficult to have a proper assessment of the candidate's capabilities.
6. The interviewer must remain detached and must not obtrude his own thoughts and feelings into the mind of the candidate. He should keep his own views and opinions to himself. The interviewer should not express opinions about episodes in the candidate's career. He should not offer uncalled-for advice.
7. Hiring interview must be held in private. The interviewer's note regarding the assessment of the candidate should not be written in his presence, but after he has left the room and there is no possibility of his seeing it.

8. The interviewer must appear interested throughout and not seem to be following an irksome routine. When the interviewee answers questions, the interviewer should not only listen but also be attentive and express interest. The interviewer should not interrupt as this will reduce co-operation.

E. Use of Psychological Tests in Selection

Although the personal interview is the most widely used method of selection of employees, it has its limitations. It is a costly, inefficient and usually invalid procedure. It is vitiated by the bias, prejudices and subjective attitude of the interviewer. Because of these drawbacks, it is aided by psychological tests. A test is a systematic procedure for comparing the behaviour of two or more persons. Many firms use psychological tests in the staffing process. Psychological tests are superior to interviews, since tests are mainly objective and impartial, and free from biases. A psychological test is an objective and standardized measure of a sample of behaviour from which inference is drawn as to future behaviour or performance. It is used to measure the abilities, aptitudes, interest, intelligence and personality of an individual in quantitative terms. With the help of these tests, it is possible to determine how much of a given characteristics, an individual possesses in relation to others with whom he is being compared. Tests are the most misused, the least understood, yet the most valuable sources of information about applicants. Psychological tests are not as widely used in India as in the West. In the selection of skilled workers, trade tests are used. Tests represent sample problems or short tasks which demand similar ability for their solution as that which is required in the particular job to be filled.

Tests are used in business mainly for three purposes—(i) the selection and placement of new employees ; (ii) appraising employees for promotional potential ; and (iii) counselling employees. Tests are also sometimes used in selecting employees for training purposes and evaluating candidates for transfer.

Tests that are used for selection are of various kinds. These are intelligence tests, personality tests, interest tests, special aptitude tests, achievement tests, performance tests and paper and pencil tests.

Intelligence tests are designed to measure a candidate's mental calibre, thus helping to assess if he is likely to be bright enough to meet the demands the job would make on him.

Special aptitude tests measure whether the candidate has the potential ability to learn a specific job if he is given adequate training. All sorts of aptitudes can be tested—mathematical, practical, mechanical, musical, journalistic, etc.

Performance tests imply doing something with materials and instruments ; while paper and pencil tests involve checking answers to written questions.

Achievement or proficiency tests measure the degree of mastery or skill already acquired in a given job.

Personality tests measure such aspects as emotional stability, social attitudes and various traits of character.

These tests can provide additional information in an objective manner about certain abilities which are difficult to discover by interviewing alone.

But it should be noted, that tests are only one of the tools of selection and cannot take the place of the interview. Tests can supplement the interview but cannot supplant it.

The use of psychological tests is gaining popularity even in India as a part of the selection process. These tests, if properly used, can lessen selection costs by reducing the large number of applicants to smaller ones ; for example, intelligence tests can show the cut-off point so that the people possessing less intelligence than the standard are eliminated. The tests are really useful when supplemented by interviews, and can reduce nepotism.

Although tests are in general becoming popular in India, experience of some companies, however, indicates a reverse trend as they have discontinued such tests.

F. Medical Examination

Physical examination is another component in the staffing process. It is conducted after the final decision has been taken to select an applicant for the job. A physical examination conducted by a physician can have a number of purposes as given below :

1. One objective is to see whether the candidate is physically fit to do the job. Those candidates who are successful at the interview will be ultimately rejected if they are found physically unfit.
2. Another aim is to discover existing liabilities at the time of hiring, so that the company's subsequent liabilities can be assessed in the case of workman's compensation claim for an enquiry.
3. Thirdly, medical examination aims to prevent injury or damage to the health of employees by placing them in proper job situations.
4. The basic purpose of a medical examination is to place persons on jobs which they can handle without damage to their health.

Interviewee Types

The interviewer must be attentive and thoughtful because each candidate who comes to the interview is a unique personality. Four types of interviewees have been identified :

- (i) **The talkative persons** : This candidate usually causes the interviewer a loss of time through story-telling and other digressions. The interviewer must display patience and tolerance to the talkative candidate and should courteously redirect him to the main theme of the encounter.
- (ii) **The frustrated or aggressive candidate**: This candidate comes to the meeting with a personality complex and usually seizes the opportunity to relate irrelevant experiences. The interviewer in a tactful but firm manner must try to keep the conversation in perspective.
- (iii) **The inhibited applicant** : This type of interviewee may be shy, timid or retiring. He is also fearful of failure. It is the interviewer's task to instill in him a sense of confidence and security.
- (iv) **The deceitful individual** : The candidate may intentionally omit to state relevant facts required to complete gaps in the story. The interviewer must be able to detect whether the candidate is attempting to conceal or distort the truth.

Interviewing is a process of communication designed to understand another individual in a face-to-face conversation. The key point in this process is listening ; because the outcome arrived at by the interviewer is based on the general art of listening.

Lie Detector Tests : In USA, 20 p.c. of the big organizations use lie detector tests to check on applicants' background and honesty. It is estimated that 10 p.c. of the job applicants are not what they say they are.

Performance Appraisals

Performance Appraisal : There is a basic human tendency to make judgements about those one is working with as well as about oneself. Appraisals is both inevitable and universal. In the absence of a carefully structured system of appraisals, people will tend to judge the work performance of others, including subordinates.

The human inclination to judge can create serious motivational, ethical and legal problems in the workplace. Without a structured appraisals system, there is little chance of ensuring that the judgements made will be lawful, fair, defensible and accurate.

Performance Appraisals system began as simple methods of income justification. That is, appraisals was used to decide whether or not the way of an individual employee was justified.

The process was firmly limited to material outcomes. If an employee's performance was found to be less than ideal, a cut in pay would follow. On the other hand, if their performance was better than the supervisor expected, a pay rise in order.

In the management of personnel there are two main control mechanisms—one is performance appraisals, i.e., periodic assessment of the work and the potential of a person and the other is the administration of discipline. In this section, we are concerned with performance appraisal.

Performance means to do something and appraisal means to decide the value of work done. Thus, performance appraisal means deciding the value of the work done by an individual.

EVOLUTION OF PERFORMANCE APPRAISAL

Formal appraisal of an individual's performance began in China in 221-265 A.D. Later on, in 1883, the New York city civil service in USA introduced a formal appraisal programme, shortly before the world war I. In India, the use of formal appraisal system started after world war II. It was first introduced in Union carbide in 1940s and was followed by other business houses. The Indian companies use performance appraisal for training and development, providing feedback to employees and personnel research. The tradition was adopted from the American companies.

The latest approach to performance appraisal is the use of 360-degree evaluation. It provides performance feedback from the full circle of daily contacts that an employee might have ranging from subordinates to peers to bosses.

Objective

The objective of performance appraisal has shifted from an evaluation of employees to the identification of their potential and development. In the traditional approach, the performance appraisal system is used merely as a mechanism to control employees by taking administrative action in respect of salary and reward.

The only true measure of an employee's effectiveness on the job is job performance. Systematic personnel appraisal means that a manager's judgement about a subordinate executive will be free from personal bias. It is a planned way of letting the subordinate know where he stands and how he is progressing.

From time immemorial, people have been measuring performance. An appraisal of the employee is necessary at the time of his appointment. It is also necessary

during the working life for his promotion and transfer. A systematic procedure for evaluating performance is known as rating. Here an individual, after comparison with another, is ranked as excellent, average or below average.

Employee evaluation process involves the following six steps :

1. Establish performance standards.
2. Communicate performance expectations to employees.
3. Measure actual performance.
4. Compare actual performance with established standard.
5. Discuss the appraisal with the employee.
6. Initiate corrective action if necessary.

The evaluation process begins with the establishment of performance standard. At the time that a job is designed and a job description formulated, performance standards should be developed for the position. These performance standards should be clear and objective enough to be understood and measured. Once performance standards are established, it is necessary to communicate these expectations. It should not be part of the employee's job to guess what is expected of him. Communication will be effective when the transfer of information has taken place and has been received and understood. The third step in the evaluation process is the measurement of performance. To determine what actual performance is, it is necessary to acquire information about it. Personal observation, statistical reports, oral reports and written reports are the common sources of information. What is measured is more critical than how it is measured, since the selection of the wrong criteria can result in dysfunctional consequences. The criteria we choose to measure performance, must represent performance, as it was stated in the first two steps. The fourth step in the evaluation process is the comparison of actual performance with standards. Here, we shall note deviations of actual performance from standard performance. The next step in the evaluation process is to present an accurate appraisal to the subordinate and then have the subordinate accept the appraisal in a constructive manner. The impression the subordinate receives about his assessment has an impact on his subsequent performance. Conveying good news is considerably less difficult for both the manager and the subordinate, than when performance has been below expectations. In this context, the discussion of the evaluation can have negative as well as positive motivational consequences. The final step in the evaluation process is the initiation of corrective action when necessary. Corrective action is of two types. One is immediate and deals mainly with symptoms and the other is basic. Immediate corrective action is often describing as "putting out fires" while basic corrective action gets to the source of deviation and seeks to adjust the difference permanently.

PERFORMANCE APPRAISAL AND MERIT RATING

Although performance appraisal and merit rating are used synonymously, strictly speaking, they are not identical. The essential difference between appraisal and merit rating is that the latter is tied in with regular salary reviews of individual employees, and is designed to cover rank and file personnel. It places on record, the justification for moving employees from one step to another within a job grade, and from one job grade to another, as recommended by a superior.

Appraisal may be of the following types :

1. **Individual Appraisal:** The shortcomings of individual appraisal are apparent. It is one man's opinion and may be biased. Companies with formal plans usually protect themselves by seeing to it, that if individual appraisal is used, the results are reviewed in some formal way by the superior of the employee doing the appraisal. This serves as a definite check against the possibility, that irresponsible evaluation may slip in the record.
2. **Group Appraisal :** In group appraisal, the judgement of the immediate superior is supplemented by the different slants of other executives. The obvious advantages are counterpoints to most of the disadvantages cited for individual appraisal.
3. **Multiple Appraisal :** In multiple appraisal, the subordinate personnel is appraised independently by several other qualified officers. The results of such multiple evaluations are generally consolidated by a staff personnel.
4. **Appraisal by Subordinates :** Here, employees evaluate superiors. Pitfalls are obvious. In most cases, subordinates are in no position to know what is really required of an executive. They may be too young or inexperienced to realize the extent of their officer's responsibilities.

Executives attain their ends by directing and developing people rather than things. It follows that the "people" problem is almost the whole of management and that nothing can be more important to the individual executive than to know the tools (i.e., the people), with and through whom he works.

Every time when a transfer or promotion is made or a salary increase is given, an appraisal takes place. The question is not whether there should be appraisal, rather whether appraisal should be on a systematic basis or on a snap basis.

Methods of Appraisals

Important methods of performance appraisal have been described below :

1. **Rank order rating :** This is the oldest and a very simple method of personnel appraisal. This method involves placing employees or ranking them one after

another from the highest to the lowest, based on the overall job performance. But, it is not easy for the rater to compare several men simultaneously.

2. **Graphic rating scales** : The graphic method of rating is the most commonly used method. The employees are rated on personality characteristics and performance. The rater is provided with a printed form for each employee to be rated, containing a number of characteristics to be rated. The characteristic factors vary according to the position of the employee to be rated. For a worker, rating is based on job knowledge, intelligence, dependability, industriousness, quality of work etc. ; while for a management personnel, rating should be based on leadership qualities, creating ability, organizing ability, communication skill, power of judgement etc. On the basis of the above individual qualities and characteristics, an overall assessment has to be made in terms of the following ratings :

- (a) excellent
- (b) above average
- (c) average and
- (d) poor.

Excellent rating is given only when the person has completely mastered his present job and can perform it without supervision. A person who qualifies for the excellent rating is ready for promotion. Above average rating is given when the performance of a man in terms of higher output or better quality or lesser time is above the expected standards. Average rating indicates fulfillment of the expected standard. Poor rating indicates failure or inability to achieve the expected standards. If this failure is due to some defects in the employee, corrective action should be taken to remedy them.

3. **Critical incident system** : This method has been developed recently and is supposed to lend greater objectivity to employee appraisal. The system is based on the observance of each employee's several trait factors on the job such as being quarrelsome with fellow employees ; showing willingness to assist others, and work overtime during peak periods and rating him accordingly. These critical behaviours are recorded in a specially designed book and behaviour patterns drawn on the basis of observed critical incidents. Daily recording of the trait factors is necessary ; otherwise it would be difficult for the supervisor to remember the incidents. This system requires close supervision of employees which the latter generally do not like.

4. **Appraisal by results and MBO** : The latest development in the field of performance appraisal is appraisal by results. Result-oriented appraisal are the outcome of the modern management technique known as Management By Objectives or MBO. MBO has been described as a philosophy of management which seeks to minimize external controls and maximize internal motivation through joint goal setting between the manager and the subordinate ; and increasing the subordinate's own control of his work. Management by Objectives can be described as a process whereby the superior and subordinates of an organization jointly identify its common goals, define each individual's major areas of responsibility in terms of results expected of him and use these measures as guides of operating the unit and assessing the contributions of each of its members.

The MBO process consists of four steps :

- (1) Joint goal setting—In joint goal setting, the manager, on conference with his subordinate, formulates clear statements of objectives.
- (2) Action planning—In action planning, realistic action plans are developed to attain the goals already established.
- (3) Self-control—Self-control is the systematic monitoring and measuring of his performance by the individual.
- (4) Periodic progress reviews.

Lastly, with periodic reviews, corrective action is taken when behaviour deviates from the established standard. Therefore, MBO needs a clear-cut definition of the specific goals expected to be achieved by the subordinate as well as a measurement of the actual achievement of such goals by the subordinate. The goal should be tangible, measurable, verifiable and quantifiable. Then, the goal visualized and actual performance have to be compared. This technique appraises the performance of an employee by measuring the employee's actual performance against specific predetermined goals. The conclusions are based on observation and evidence of performance, rather than the superior's opinion of the subordinates. When the predetermined goal set up as a standard is not reached, it is necessary to identify where he needs further development in performing his functions more effectively.

Benefits of Appraiser

The benefits of appraisals may be listed under two headings as follows :

A. Advantages to Appraiser

1. **Effective work assignment**: It sharpens the appraiser's control over his own activities. Systematic appraisal will provide the executive with a better idea

of the strengths and weakness in his department and so enable him to make more effective work assignments. Moreover, the appraisal activity will give him a new insight into his operations which may well lead to improvements in departmental organization.

2. **Clear-cut responsibility for results** : Sometimes there are differences in understanding on the part of the manager and his subordinate executives as to just, what their authority and responsibilities are. Drawing up a checklist of the responsibilities of the subordinate as well as the scope of his position will reduce any possible misunderstanding as to performance goals.
3. **Perspective in sizing up subordinates** : A systematic appraisal programme means that there will be relaxed discussions with subordinate personnel regarding their strengths and weaknesses. This type of interview results in a more judicious evaluation, and is far superior to the crisis discussion which takes place when something has gone wrong.
4. **Objective basis for discussion of salary and promotion** : When an employee comes to his officer with a request for a wage raise or promotion, the appraisal record and the last appraisal interview provide an objective basis for discussion. This will serve to avoid embarrassment.
5. **Aid to effective recruitment**: An executive who follows systematic appraisal procedures will be able to discuss past hirings with the personnel department on the basis of tangible results, and he can be much more specific in setting up job specifications, when he has to go outside the company for staff additions.

B. Advantages to Appraisee

1. **How am I doing** : The periodic review tells the subordinate where he stands. This is one of the most important results of the appraisal activity. The discussion of his record as a whole over an extended period, enables the subordinate to see his job and his performance in that job in true perspective.
2. **Specific development of subordinates** : The appraisal activity should help the subordinate to improve performance. It is a guide for coaching and a basis for suggesting further training which will help the subordinate expand his present skills.

Appraisal in Action

Both public sector undertakings and private companies in India have some sort of an employee performance appraisal system. But, for public sector undertakings,

the practice is not uniform everywhere, as some of them assess performance through progress report, while others use merit ratings. The Estimates Committee of the Parliament stated in their report that so far as the personnel policies of the public sector undertakings is concerned, periodic rating or appraisal of individual performance is essential to maintain and improve the quality of performance in all positions. The private sector undertakings have either formal performance appraisal system or merit rating programmers. Generally, there is provision for annual or semi-annual formal appraisals of all employees. Annual appraisals can help the superior evaluate his subordinate's effectiveness and fix areas where further action is needed to make the subordinate work more effectively.

Efficiency bar : The efficiency bar system is in vogue for different grades of employees, both in the public and private sectors. The efficiency bar provides an opportunity to the employer to assess the efficiency of the employee more carefully. When an employee reaches the efficiency bar, special attention is given for evaluating his work. The employee is held up at the efficiency bar if his performance is not satisfactory, and is allowed to cross the bar if he improves his performance sufficiently.

Self-evaluation : Self-evaluation is the best method of performance appraisal if it can be systematically introduced. Self-evaluation means the way in which an individual views himself. Objective self-evaluation is a very tough job. Socrates was once asked by one of his disciples : "Why is it sir, that you tell everybody who wants to become your disciple to look into this pond and tell you what he sees ?" "This is very simple, my friend", answered Socrates, "I am glad to accept all those who tell me that they see the fish swimming around. But, those who see only their own image mirrored in the water, are in love with their ego. I have no use for them." Egoism is self-love, which is the greatest of all flatterers. For objective self-evaluation—egoism, pride, self-deceit and inferiority complex have to be cut out.

Factors that can Distort Appraisal

The performance appraisal process presents an objective system in which the evaluator is supposed to be free from personal biases, prejudices and idiosyncrasies. However, there are a number of factors which impede objective evaluation. These are as follows :

1. **Leniency error :** Each evaluator has his own value system which acts as a standard against which appraisals are made. Relative to the true 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 lenient error'. When evaluators are positively lenient in their appraisal, an individual's performance is overstated while in the opposite case, leniency error understates performance. If all individuals in an

organization were appraised by the same person, there would be no problem. The difficulty arises when we have different raters with different leniency errors making judgements.

2. **Halo error** : Halo error or Halo effect 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. As an example, if an employee tends to be dependable, we might become biased towards him to the extent that we will rate him high on many desirable attributes.
3. **Similarity error** : When evaluators rate other people in the same way that the evaluators perceive themselves, they are making a similarity error. Due to this perception that evaluators have of themselves, they project those perceptions onto others. For example, the evaluator who perceives himself 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** : If the evaluator knows that a poor appraisal could hurt the employee's future, say, opportunities for promotion, the evaluator may be reluctant to give a realistic appraisal.
5. **Central tendency** : Raters who are prone to the central tendency error are those, who continually rate all employees as average. For example, if a manager rates all subordinates as 2 on a scale of 1 to 4, then no differentiation among the subordinates exists. Failures to rate subordinates as 4, for those who deserves that rating, will only create problems if this information is used for pay increase.
6. **Inappropriate substitutes for performance** : In many jobs, it is difficult to get consensus on what is a good job, and it is still more difficult to get agreement on what criteria will determine performance. For a salesman, the criterion may be the money value of sales in his territory. But even this criterion is affected by factors beyond the salesman's control, such as, action of competitors.

As a result, the appraisal is frequently made by using substitutes for performance, such as criteria that closely approximate performance and act in its place. Many of these substitutes are well chosen, but are not always appropriate. Organisations use criteria such as enthusiasm, conscientiousness and a positive attitude as substitutes for performance. In some jobs one or more of the criteria listed above are part of performance. Enthusiasm does enhance the effectiveness of a teacher. But enthusiasm may not be relevant to effective performance for many accountants

or watch repairers. So, what may be an appropriate substitute for performance in one job may be totally inappropriate in another.

Suggestions for Improved Performance Appraisals

The evidence strongly favours behaviorally based measures over those developed around traits. Many traits often considered to be related to good performance, may, in fact, have no performance relationship. Traits like loyalty, initiative and courage appear 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? It is difficult to answer this question. There are employees who rate high on those characteristics, but are poor performers. On the other hand, there are excellent performers who do not score well on those traits.

Behaviorally derived measures can deal with it. As they deal with specific examples of performances, we avoid the problem of using appropriate substitutes. Moreover, since we are evaluating specific behaviours, we increase the likelihood that two or more evaluators will see the same thing.

Multiple raters : As the number of rates increase, the probability of attaining more accurate information increase. If a person has had ten supervisors, nine having rated him excellent and one poor, we can discount the value of one poor evaluation. Therefore, by moving employees about within the organization so as to gain a number of evaluations, we increase the probability of achieving more reliable evaluations.

Performance evaluations are an integral part of every organization. Properly developed and effectively implemented, the performance evaluation can help an organization to achieve its goals by developing productive employees.

360-Degree Feedback

360-degree feedback is the latest development in the field of performance management. It hardly existed at all at the time of 1991 survey, but 11 p.c. of the organizations covered by the 1997 survey had some form of 360-degree feedback.

360-degree feedback has been defined by Ward as the systematic collection and, feedback of performance data on an individual or group derived from a number of stakeholders on their performance. The data is usually feedback in the form of ratings against various performance dimensions. Another way of referring to 360-degree feedback is as multisource assessment or multirater feedback.

Performance data in a 360-degree feedback process can be generated for individuals, as shown in the figure, from the person to whom they report, their direct reports, their peers (who could be team members or colleague in other parts of the organisation) and their external and internal customers.

360-Degree Feedback Model



Feedback can be initiated entirely by peers or both by peers and the team leaders. It can also take the form of 180 degree or upward feedback, where this is generated by subordinates of their manager. Feedback may be presented directly to individuals or to their managers or both.

The main rationale for 360-degree feedback has been expressed by Turnow as follows :

360-degree activities are usually based on two key assumptions :

1. That awareness of any discrepancy between how we see ourselves, and how others see us increases self awareness ; and
2. That enhanced self awareness is a key to maximum performance as a leader, and thus becomes a foundation block for management and leadership development programmers.

Training and Development

INTRODUCTION

Training has got to be understood in the context of HRD. Training is the most important component of HRD but HRD is training plus.

An organization which aspires to grow must be in tune with the changing needs of the society. Training becomes relevant in the context, since it is only through training that the gap between performance of the organization and the felt need of a changing society can be neutralized. Training reduces the gap by increasing employees' knowledge, skill, ability and attitude.

Training makes a very important contribution to the development of the organisation's human resources and hence to the achievement of its aims and objectives. To achieve its purpose, training needs to be effectively managed so that the right training is given to the right people, in the right form, at the right time and at the right costs.

Training is different from college education. Since management is relating experience to learning, we go from experience and concept. Training is purely

vocational, in contrast to education, the main purpose of which is the development of general culture. Education is person-oriented while training is job-oriented.

The term 'training' indicates the process involved in improving the aptitudes, skills and abilities of the employees to perform specific jobs. Training helps in updating old talents and developing new ones.

'Raw' human resources can make only limited contribution towards the achievement of the organisation's objectives. Hence, the demand for the 'developed' human resources are continuously increasing. Thus, training is a kind of investment.

Training is a vital phase of management control. It helps in reducing accidents, eliminating wastages and increasing the quality of work.

TRAINING AND DEVELOPMENT

Training and Development are terms which are sometimes used interchangeably. Development was seen as an activity associated with managers. In contrast training has a more immediate concern and has been associated with improving the knowledge and skill of non-managerial employees in the present job.

Such a distinction is too naive in an age characterised by developments in HRM, because in the present days, development of all the employees is crucial. Such development would facilitate multi-skilling and a flexible mode of operation. These days, even managers require training as they need current operational skills associated with management development.

Training and development may be regarded interactive, each complementing the other. The logical step for the organization is to produce a plan for human resource development (i.e., training and development) which will dovetail into the employee resourcing plan (i.e., selection), and the organisation's overall strategic plan. Mr. Keep has recently pointed out saying, "training and development of employees is not an option, it is an intrinsic part of the practice of HRM and is an investment in people."

Training, which is a vehicle for human resource development, is concerned with improving the skills of the employees and enhancing their capacity to cope with the ever-changing demands of the work situation. It also makes a positive contribution to the empowerment of the employees.

Needs of Training and Development

Training is assuming an ever-increasing importance in the industry due to the following reasons :

1. **Technological advances :** The past four decades have witnessed unparalleled developments in industrial technology. The average company today is likely

to be mechanising or automating many of its processes. Many unskilled jobs are disappearing. If employees are to remain employed, they must engage in training programmes to upgrade themselves for more skilled positions and to familiarize themselves with the new processes and production techniques. In addition, as new management techniques and technical developments appear, higher-level employees need refresher courses. The professionals among them need to keep-up with the current developments in their fields of specification.

2. **Organisational complexity** : Big organizations deal with extremely complex problems of co-ordination and integration of activities. Recent developments in information technology—especially the use of computers—promise to alleviate many of these problems, but requires that training and retraining must be continuous at all levels in such organizations. When men are placed in unfamiliar situations, new supervisory and managerial skills are needed as they are forced to co-ordinate their efforts with those of other men whose training, background and interests may be very different from their own.

Operations research and other newly emerging disciplines have developed a variety of new, mathematically sophisticated techniques to attack such complex organizational problems as inventory control, scheduling and transportation coordination. However, many of these techniques require an understanding of mathematics and calculus, which most of today's managers do not possess. An average manager faces a major learning task if he is to keep up with his field.

3. **Organisational tenure** : College graduates are hired not for their present management skills, but for their potential to become capable managers. All big companies have management development programmers for qualified prospects. Trainees who are successful move on to higher levels of responsibility in the organization. The investment by both the trainee and the company in this process often makes it quite costly for both the parties, when trainee fails to develop or quits.
4. **Human relations movement** : The human relations movement emphasizes the importance of providing the employees with conditions that permit and promote self-actualisation. Men work for many reasons—for higher levels of material comforts, for recognition and prestige and for the work itself when it is interesting and stimulating. Dull, monotonous jobs are being automated out of existence, for no amount of good human relations seem to be able to make up for the inefficiencies, personnel problems and costs associated with paying human beings to do work which machines can do better.

But, if all jobs of the future are to be of some challenge and interest to those who hold them, the job occupants often will require training to bring them up to the skill, required for the performance of the more complex job.

Object of Training

The main aim of training is to induce a suitable change in the individual concerned. Experienced employees, for example, be taught to operate unfamiliar equipment. Persons raised to supervisory levels can be taught how to plan and control the work of their units, and help their subordinates. Industrial training started when the first employee was employed on the job. Systematic methods were thereafter evolved for increasing the new employee's knowledge and developing his skills. Due to accelerated technology in recent years, industry has been forced to pay more attention to the aspect of 're-training' its existing employees.

For devising adequate training programmes for individuals, it is necessary to conduct an accurate analysis of the individual's aptitude and performance level. This must then be compared with the requirements of the job that he is required to perform. The object of training is thus to bridge the gap between the present performance and the desired performance. The success of a training therefore depends on the accuracy with which the organizational need has been identified and the training objective specified. McGehee and Thayer recommend the following three-tier approach to determine the training need :

1. **Organisational analysis**, to determine where training emphasis should be placed within the organisation;
2. **Operations analysis**, to decide what the training should consist of, requiring a study of what a person should be taught if he is to perform his task with the maximum effectiveness; and
3. **Man analysis**, to determine who needs to be training and what skills, knowledge or attitudes should be augmented or improved.

INDUCTION TRAINING

The introduction of the new employee to the job is known as induction. It is the process by which new employees are introduced to the practices, policies and purposes of the organization. Induction follows placement and consists of the task of orienting or introducing the new employee to the company, its policy and its position in the economy.

Induction literally means helping the worker to get on with his own environment. After an employee is assigned his job, it is necessary to introduce him to his job

situation, his associates in the job and the overall policies of the company. The induction stage demands great care because the first impression made on the mind of the employee is very critical in the employment life, and the treatment he receives during the early days on the new job helps him to form an opinion about his employer and the company. Induction seeks to develop in the employee a sense of belonging and loyalty to the company, build a two-way channel of communication between the management and the workers and promote the informal relations with his co-workers. In other words, it serves to make him feel at home.

An induction process properly designed, should serve the following purposes :

- (a) To help the newcomer to overcome his natural shyness, any nervousness, he may experience in meeting new people in the new environment.
- (b) To integrate the new employee into the organization and develop a sense of belonging which is a strong motivational force.
- (c) To supply information about the nature of workforce, conditions of service and welfare facilities.

Neglecting the area of induction may lead to labour turnover, psychological tension and grievances.

Levels of Training

Training is required at different levels, namely, for unskilled workers, semi-skilled workers, skilled workers, office staff, supervisory staff and managerial personnel.

Unskilled workers require training to do their work efficiently, just like skilled workers, for increased labour costs in the industry today, make it important that even an apparently simple job should be carried out in the most economical manner. Training of these workers must be on the job itself and can only be given by their immediate superiors, sardars or foremen.

The progress of mechanization has resulted in an increase in machine operators, and other workers engaged in simple repetitive jobs which are often termed as semiskilled jobs. Semi-skilled workers are selected amongst the unskilled workers who have made themselves conversant with the handling of the machine or job. Regular formal training of semi-skilled workers is undertaken in very few firms.

The need for training of skilled workers has been acknowledged ever since the skilled crafts came into being. Technological changes have brought new demands on conventional workers to adapt widespread practice in Indian industry through the system of apprenticeship. Apprentices are usually given training on the job at the establishment for a specific duration and are absorbed in the cadre on completion,

Certain office jobs require highly specialized skills. Typists, copyists, stenographers and such employees need training in their particular fields, but in practice such training is rarely given within the industry.

An organisation obtains its supervisors either by promotion of existing employees or by direct recruitment. Large organizations have undertaken elaborate training schemes for various types of supervisors. Reference should be made to the adoption of T.W.I. (Training within Industry) in this country.

Management training has become an essential activity of every organization. Until recently, managers were expected to learn their jobs in the hard way, but a welcome change is noticeable in most of the progressive organizations. Top and second line management members are being sent to attend executive development programmes organized by various management associations and professional institutions. Business management courses are also available at some of the universities and educational institutions.

Methods of Training

Training methods can be basically divided into four types, namely :

- (i) the telling method,
- (ii) the showing method,
- (iii) the role playing method and
- (iv) the discussion techniques.

In the telling method, lectures are delivered similar to the classroom session. This method is very suitable for communicating information quickly. In the showing method, the trainer actually gives a demonstration of the various techniques. Role playing method is a useful training technique as it helps in developing the skills of the trainee. The trainee here, participates actively in the learning process. The discussion technique involves the participation of the trainee in the actual work. He is allowed to ask any related questions. Sometimes cases are also used for actual situations. These methods generate discussion between the trainee and the trainer.

Various specific training methods are discussed below :

- (i) **On-the-job training** : Mostly, the executive training is done on the job. An executive is expected to learn his work while working.
- (ii) **Off-the-job training** : Off-the-job training methods can also be used to train the executives. The most commonly used types of off-the-job training are problem solving conferences and the case study methods.

- (iii) **Understudy method** : Under this method each executive is assigned an understudy or an assistant who, in addition to his regular duties, is expected to acquire some familiarity with the tasks and practices of his superior.
- (iv) **Role playing** : Under this method, an employee learns by playing a role in a dramatic setting which corresponds to his work. The central idea of role playing is that, the trainee understands the situation from a perspective different from his own.
- (v) **The Case study**: The case study method gives the trainee matter for reflection of practical interest. It diagnoses the situation and deals with the real life problems and difficulties.

Technical Training

There are numerous fields in which technical training are offered which cover the jobs such as that of draughtsman, machinist, toolmaker, pattern designer, mechanic, fitter, electrician etc. For training in crafts, trades and in technical areas, apprenticeship training is the oldest and the most commonly used method. Proficiency in a job is the result of a relatively long training period from 2 to 3 years for persons of superior ability and from 4 to 5 years for others. A major part of the training time is spent in doing on-the-job productive work. Each apprentice is given a programme of assignment according to a pre-determined schedule, which enables efficient training in trade skills.

Apprentice Act 1961

The primary objective with which the Apprentices Act, 1961 was passed is to meet the increasing demand for skilled craftsman in the development of the country. It is intended by the government to utilize facilities available for training apprentices, and to ensure that their training is in accordance with a planned programme. With the gradual development of industries, different types of disputes began to crop up between the employers and the apprentices, and to get over them, this Act was formed. This Act is meant to regulate and control the training of apprentices in trades and matters connected therewith. The Act envisages to clarify the relationship between the employers and apprentices. The apprentices are not treated as workers. This Act endeavours to make provisions for the health, safety, welfare etc., of the apprentices. It also contains provisions for settling disputes arising out of the contract between the employers and the apprentices.

Evaluation of Training Programmes

Training programme should be periodically evaluated to determine its effectiveness. Some of the criteria that are used in evaluating the effectiveness of training are—

increased productivity, decreased costs and waste, and change of supervisory behaviour to the desired direction. To determine the extent of effectiveness, the savings and improvements resulting from the training is to be set-off against the cost of training.

However, evaluation of training programmes, especially of the executives, is difficult because it is impossible to determine the improvements attributable to training and to other causes. However, there are many approaches to evaluate executive training programmes, one approach is that of determining how well the trainees have learnt. They should be tested and rated after the completion of their training courses. The performance of the executives before and after the training helps the management to judge its effectiveness. Finally, executives may be asked to comment upon the usefulness of the training they have undertaken.

Managerial Development Programmes.

Several strategies for executive development are possible and infact, utilized. One of the strategies may be to train and develop all the executives within the organization itself through formal training, development programmes and on-the-job development training. It would mean considerable investment in training and development. Another strategy is to utilize the sources of the external profession and educational agencies in the country, which would mean that owning training centres—facilities, aids and training staff could be eliminated. It would at first appear less costly. However, it is not so, because out-company programmes are expensive due to their constantly increasing training fees. The third strategy is to use both internal and external facilities and this is considered to be the best over all strategy, completely in tune with the global pattern. An effective, planned, judicious use of both internal and external development facilities would yield maximum benefits in this area. Another reason is that neither in-company nor out-company effort can be toally effective. The fourth strategy is to use the out-company training and development facilities and this is also a very effective one, provided proper care is taken in the selection of individuals and out-country programmes, and is followed up vigorously and effectively to see that there is a transference of learning abroad on the job.

Managerial Development Methods

The various executive training methods are described below :

On-the-job training: Usually executive training is done on-the-job. An executive is supposed to learn his work while working. This type of training has many advantages. The trainee learns the job in the actual work place. He can size up his subordinates and in turn, be apprised by them, without artificial support. He can demonstrate independently his potential leadership qualities. It is argued, that the

best executives will rise to their opportunities without the support of formal training. This method suffers from certain disadvantages also. One cannot expect engineers, chemists or accountants to learn on their own. Secondly, on-the-job training is too costly, time-consuming and effective in developing capable executives.

Off-the-job training : Executives can be given training through off-the-job methods. The most commonly used off-the-job training methods are problem solving conferences and the case-study methods.

Understudy method : In the understudy method, the learner is placed under a person proficient in the job and learns by observing that person. Under this method, each executive is assigned an understudy who, in addition to his regular duties, is expected to learn the tasks and practices of his superior. The understudy is expected to replace the superior in due course of time. The success of this method depends largely upon the person giving the instruction.

Role playing : Under this method, an executive learns by playing a role in a dramatic setting which corresponds to his work. Supervisors meet in conferences and any two are selected to act out some situation or problem which are commonly faced, which other members observe, make mental notes and evaluate the performance. It corresponds to the modern case method of training.

The Case Study : The case study method gives the trainee matter for reflection of practical interest, it diagnoses the situation and deals with the real life difficulties. In the 'Live case' method, managers of a particular business describe its development and some of its problems. After discussion, the trainees prepare a report which contains an analysis of the situation described and their recommendations. The utility of the case-study method has been accepted by all, as it deals with detailed descriptions of the real life situations. Cases illustrate teaching which may otherwise remain abstract.

Job rotation : Job rotation or assigning various jobs to executives is being increasingly recognized as a valuable means of developing the executives. This process gives depth and a new dimension to experience. The exposure to many of the company's operations and closer contact with several supervisors enables the development of an executive as an effective manager. Job rotation can be either horizontal or vertical. Vertical rotation is nothing but promoting the worker to a higher position. Horizontal job rotation refers to lateral transfer. Job rotation has many advantages. Firstly, it enables the executives to think in terms of managerial principles rather than the technical aspects of the particular functional field. Secondly, it helps the good executives to determine the functional fields which they would prefer to manage. Finally, gaining a broad view of inter-divisional problems, qualifies a person for the top position in the company.

Management Educational Institution

Theoretically there is a threefold contribution of the training institution to the training process. The first contribution is to the participants. Staffed by competent, flexible trainers and administrators under a responsive principal, the institution provides the participants with a programme and an environment that consistently promote learning relevant to more effective behaviour at work. It is a live model of the organisational standards. It is a setting that keeps on motivating the participants to learn more and to improve their performance, offers stimulating challenges, provides the opportunities to discover effective responses and reinforce them.

Secondly, for the trainers, the institution is to provide steady support, the collaboration of colleagues, where necessary ; supporting services of many kinds, easy access ; climate that is both stimulating and satisfying. These are all immediate results. For the long run, the institution provides trainers with opportunities for further professional growth, through a satisfying range and variation of role in which they can gain experience through contact with colleagues in other institutions and through special faculty development programmes from time to time.

Finally, for the society in which it works, the institution is an agent for development. It permeates the social fabric with its own qualities of inquiry, active response, evaluation of effectiveness and above all, with its enthusiastic engagement in society and its tasks.

In as much as management is now regarded as a professional, formal training for it becomes necessary like all other professional education. However, in India until very recently, managers were expected to learn their job through experience or through job rotation. Recently, a welcome change is noticeable in more progressive organisations. Many organisations send their top and middle management members to attend executive development programmes organised by various staff colleges and professional institutions.

MANAGEMENT DEVELOPMENT PROGRAMME

Executive development is an attempt to improve an individual's managerial effectiveness through a planned and deliberate process of learning. For an individual, this means a change through a process of planned learning. The change in the individual must take place in those crucial areas which can be considered as output variables—(1) Knowledge change, (2) Attitude change, (3) Behaviour change, (4) Performance change and (5) End-operational results.

The success of development effort depends upon the following inputs :

- (1) Trainee's personal characteristics, such as his intelligence and motivation to learn, and ;

(2) His actual learning effort.

The essential components of a management development programme may be discussed under the following heads :—

Ascertaining development needs : It calls for organizational planning and forecast of the needs for present and future growth. Most companies train their own executives, except when they experience a critical shortage of specialized high-level talent. In the later case, executives are hired from outside.

Appraisal of present management talents : This is done with a view to determine qualitatively the type of personnel that is available within an organization itself. The performance of a management individual is compared with the standard expected of him. His personal traits are also analysed so that a value judgement may be made of his potential for advancement.

Management manpower inventory : It is prepared for the purpose of getting complete information about each management individual's bio-data and educational qualifications, the result of tests and performance appraisal. This information is generally maintained on cards, one for each individual. This enables the organization to have a list of executives available for training for higher positions.

Planning of individual development programmes : It is undertaken to meet the need of different individuals, keeping in view the difference in their attitudes and behaviours ; and in their physical, intellectual and emotional qualities. The weak and strong points of an individual are known from his performance appraisal reports and on the basis of these, tailor-made programmes are framed and launched.

Establishment of training and development programmes

This job is done by the personal department. A comprehensive programme is prepared containing brief courses. Such courses may be in the field of human relations, time and motion study, decision making and courses in professional institution depending on the organizational needs.

Programme evaluation : The evaluation of training has been defined as an attempt to obtain information (feed-back) on the effects of a training programme and to assess the value of training in the light of that information.

Human Resources Accounting

INTRODUCTION

In an organization, the most valuable input is the human element. The success or failure of an organization depends to a large extent, on the persons who man and

run the organization. Countries like Japan, Germany, Korea and Israel are able to make rapid progress due to the quality, loyalty and devotion to work of their people. History is full with examples of several great men like Buddha, Christ and Vivekananda who make us realize what a single individual can achieve without any material resources. In business also, the greatest asset is the human resource of the enterprise and not the plant, equipment or the big building it owns. Marshall rightly said, the most valuable of all capital is that invested in human beings. However, it is unfortunate that the balance sheets do not exhibit the most vital asset, while capital invested in other assets are shown. This is one of the severe limitations of present day financial statements which hinders the user of those statements from making full use of them.

It is a recent realisation, that accounting as a financial information system, should be as much concerned with the measurement of and communication of animate human assets as with inanimate plant and equipment. In the survival and growth of an organization, these two facets of investment play a mutually contributory role ; and hence the necessity of disclosing the information about the stocks and flows thereof. In the age of rapid technological change, if the management could succeed in preventing the educated, trained and efficient employees from leaving the company, and or increasing their professionalism and commitment, an immense benefit could accrue to the organization. Through recording and transmitting human resources capital, the management will have access to a valid and reliable measure of the expenditure on equipping the personnel with requisite knowledge and operating skills. The outflow on building a culture of teamwork, openness and trust through formal training and informal education which human resources development essentially implies, need to be capitalised and then amortized on a consistent basis. It is indeed a frontline area of research in accounting and behavioural sciences.

The objective of financial accounting is to provide relevant information to the decision makers. But the conventional system fails to generate adequate data about one neglected asset of the organization—the human asset. Likert refers to these assets in terms of some variable known as 'intervening variables'. Intervening variables are the internal state and health of the organization e.g. the loyalties, attitudes, motivations, performance goals and perceptions of all members ; and their collective capacity for the effective interaction, communication and decision-making. The decision makers should know to what extent such assets are being appreciated, maintained or depleted during a given period. As a result, the net income disclosed by the conventional statements fail to reflect the level of business performance. The failure to measure and report the value of human resources may

conceal sub-optimal decision-making in an organization. Particularly, the failure to measure the economic value of people may cause management to ignore the effects of their decisions upon the value of human resources. In other words, measuring and reporting these resources would prevent management from liquidating human resources, or overlooking profitable investments in human resources in a period of profit squeeze.

NATURE AND OBJECTIVES OF HRA

The conventional accounting system treats the human resources outlays consisting of expensing all human capital formation expenditure, while capitalizing similar outlays on physical capital. It will be a valid treatment to capitalize human resources expenditure to yield future benefits and try to reveal this information. The need of information on this asset have led to the development of a new field of accounting, known as 'human resources accounting' which is broadly defined as follows :

The process of identifying and measuring data about human resources, and communicating this information to interested parties.

This definition implies three major objectives of human resources accounting:

- (1) Identification of human resources value,
- (2) Measurement of the cost and value of the people to organisations,
- (3) Investment of the cognitive and behavioural impact of such information.

In spite of the immense importance of human resources accounting, it has little application. But most of the empirical studies investigating the cognitive and behavioural impact shows a favourable predisposition to users of human resources information.

The productivity of investment in industries is known from the rate of return it gives. So far, these rates of productivity are considered in respect of physical assets investment only. To find out the productivity of investment in respect of human beings in any enterprise, Human Resources Accounting will be helpful. Human Resources Accounting is also the scaling tool that generates quantitative control information about the contribution of human resources for promoting industrial productivity. It can help management in taking vital decisions relating to selection, lay off, transfer, training and promotion.

The basic assumptions of the Human Resources Accounting are :

- (i) People are valuable resources of an enterprise.
- (ii) The utility of manpower as an organisational resource is determined by the way in which it is managed.

- (iii) Information on investment and value of human resources is useful for decision making in the enterprise.

The objectives of HRA are as follows :

- (i) To improve the quality of human resources decisions made concerning an organization.
- (ii) To help management in taking proper decisions regarding investment in human resources.
- (iii) To provide information to all people concerned regarding the earning potential of human resources of the organization.
- (iv) To assess the efficiency of human resources in obtaining productivity and profitability.
- (v) To provide comparative information regarding costs and benefits associated with investment in human assets.

The accountants in the past have not given due consideration to this most important asset of the enterprise. In the traditional accounting practices, the heavy amount spent for the recruitment, placement, selection, training and development of the personnel is generally treated as revenue expenditure and hence it is debited to profit and loss account of the period during which such expense is incurred. But it is argued that these expenditure incurred by an enterprise to get the benefit of the services of its manpower force in future, is against the accounting principle to treat them completely of a revenue nature. In fact, such expenditure should be capitalised and shown in the balance sheet.

The failure of professional accountants to treat human resources as assets, just like physical and financial assets, attracted the attention of academics. In the 1970s, the concept of HRA was evolved to highlight that human resources should be treated like physical assets and should be shown on the balance sheet of the enterprise.

The objective of HRA is to facilitate the management of people as organizational resources. Here we apply the principle of accounting to the management of human resources.

One of the earliest proponents of the subject, Prof. Rensis Likert has mentioned the following points as the objectives of HRA.

- (i) To furnish cost value information for making management decision and maintaining human resources in order to attain effective organisational objectives.
- (ii) To allow management personnel to monitor effectively the use of human resources.

- (iii) To provide a sound and effective basis for asset control, i.e., whether assets are conserved, deputed or appropriated.
- (iv) To aid the development of management principles by classifying the financial consequences of various practices.

MODELS OF HUMAN RESOURCES ACCOUNTING

Present Value of Future Earning Model of Lev-Schwartz Model

According to this model, the value of human resources of an organization is determined according to their present value to the organization.

The determination of the total value of a firm's labour force is an extension of the measurement procedure of an individual value to the organization. Lev and Schwartz have divided the whole labour force into certain homogenous groups such as skilled, unskilled, semi-skilled, technical staff, managerial staff etc. and in accordance with different age groups. Average earnings stream of classes and age groups are prepared for each group separately, and the present value of the human capital is calculated. The aggregate present value of different groups represents the capitalized future earnings of the firm as a whole. They have advocated the use of cost of capital rate for the purpose of capitalizing the present value of the future earnings of the employees. According to them, the value of human capital represented by a person of age r is the value of remaining future earnings from his employment. They have given the following formula for calculating the value of an individual :

$$V = \frac{I(t)}{(1 + R)^{T-r}}$$

where,

V_r = Value of an individual r years old.

$I(t)$ = Individual's annual earnings upto the retirement.

T = Retirement age.

R = Discount rate.

The limitation of this model is the subjectivity associated with the determination of the level of future earnings, the length of expected employment within the organization and the discount rate.

Rewards Valuation Model or Flamholtz Model

This model is based on the estimates of expected future services. This model by Flamholtz, identifies the major variables that determine an individual's value of an organization i.e. his expected reliable value. The expected reliable value of an

individual is the present worth of future services expected to be rendered during the period, he is expected to remain in the organization. The model is based on the presumption, that a person's value to an organization depends upon the positions to be occupied by him in the organisation. The management of people from one organization role to another is a stochastic process with rewards. As people move and occupy different organisational roles, they render services to the organization. However, the roles they will occupy in future will have to be determined probabilistically for each individual. The model suggests a five-step approach for assessing the value of an individual to the organization.

- (i) Forecasting his expected service life.
- (ii) Identifying the role that he might play including the point of time at which he will leave the organization.
- (iii) Estimating the value derived by the organization when a person occupies a particular position for a specified time period.
- (iv) Estimation of the probability of occupying each possible mutually exclusive state at specified future times.
- (v) Discounting the value at a predetermined rate to get the present value of human resources.

This model may be stated as follows :

$$E(R) = \sum_{t=1}^n \frac{\sum_{i=1}^m R_i P(R_i)}{(1+r)^t}$$

where,

$\sum (R)$ = Expected realizable value.

R_i = The value of R_i to be derived by the organization in each service-state

$P(R)$ = The probability that the organization will obtain R_i .

t = Time.

m = State of exit.

$(1+r)^t$ = The discount factor.

This model is an improvement over the Lev and Schwartz model, because it considers the possibility of an individual's career movement, and of his leaving the organization before the retirement or death. But this model falls short of practical value because the probabilities will have to be determined for each individual

occupying various service states and these probabilities will have to be determined for all employees for periods on an individual basis. Moreover, it will be very expensive to predict career movements and exit probabilities on an individual basis. Lastly, the data developed on this basis involve a large variance which will reduce the utility of this model.

Net Benefit Model

Morse suggested that the value of human resources is equivalent to the present value of the net benefits derived by the enterprise from the services of its employees. The following steps are involved under this approach :

- (i) Determination of the gross value of the services to be rendered in future by the employees in their individual and collective capacity,
- (ii) Determination of the value of direct future payments to be made to the employees of the organization,
- (iii) Estimation of the excess of the value of future human resources over the value of future payment, representing the net benefit to the enterprise because of the employment of human resources,
- (iv) Determination of the present value of human resources to the enterprise by applying a pre-determined discount rate (the cost of capital) to the net benefit.

Certainty Equivalent Net Benefit Model

This model, as has been suggested by Pekin Ogan, is nothing but an extension of net benefit approach of Morse. Here, the value of human resources is determined by taking into account the certainty with which the net benefits in future will accrue to the enterprise. This method involves the following steps :

- (i) Estimation of net benefit from each employee as is determined under the previous method.
- (ii) Selection of certainty factor at which the benefits will be available in future.
- (iii) Calculation of certainty equivalent benefits by multiplying the certainty factor with the net benefit accruing from all employees, representing the value of human resources of the enterprise for inclusion in the balance sheet.

Jaggi and Lau Model

The valuation of human resources on a group basis was developed as a remedy to the problem of predicting the expected tenure or promotion chances of employees on an individual basis. By group means a homogeneous group of employees who do not necessarily belong to the same department. It is difficult to predict individual's

expected services tenure in the organization or at a particular role, but it is easier to ascertain the percentage of people in a particular group, likely to leave the organization or move to the higher levels. Since it is assumed that the pattern of movement is likely to remain constant over time, the probabilities determined for a period are extended to future periods.

A brief analysis of the above five models for human resources valuation indicates that the HRA involves certain variables which are difficult to measure. In view of these problems, many corporate organizations which disclose human resources information, adopted one or more models and developed their own parameters for valuation of human assets. Since there is no uniform system for measuring and reporting human assets, some Indian Organisations which are presently reporting human reserves valuation in supplementary statements developed their own parameters after considering one or more models which we have discussed.

If we look at the annual reports of public and private enterprises in India, we see that the Chairman's report invariably contains the statement highlighting the significance of human resources. The Chairmen of these enterprises, at the annual general meeting of the shareholders, remark that our employees are most important asset; and without their significant contribution, the present growth in the operation would not have been attained.

The pioneering effort in the direction of HRA was made by R. G. Berry Corporation in USA in 1968, and was picked up by many companies in several countries including India.

A few enterprises belonging both to the public and private sectors in India, value their human resources and report this information in their annual reports.

a) Public sector enterprises include :

1. Cement Corporation of India.
2. Bharat Heavy Electricals Ltd.
3. Engineers India Ltd.
4. Minerals and Metals Trading Corporation of India.
5. Oil and Natural Gas Commission.
6. SAIL.
7. Hindustan Shipyard Ltd.
8. Oil India Ltd.

b) Private sector enterprises include :

1. Tata Engineering and Locomotive Works.

2. Associated Cement Company Ltd.
3. Southern Petrochemical Industries Corporation Ltd.

The public enterprises have preferred economic value approach, instead of cost approach, for placing a value on their human resources and reporting them in their annual accounts. The obvious choice has been Lev and Schwartz model, with some modifications. They have modified it with a view to overcome its limitations of incorporating employee's career movement, and their leaving the firm earlier than retirement or death.

EMERGING ISSUES

Human resources accounting clearly encompasses such elements as :

- (a) The composition of employees in different grades for five years.
- (b) Productivity of human resources for five years.
- (c) Programmes for employee development.
- (d) Personnel payments to the employees and expenses on social welfare per employee.
- (e) Human assets valuation.
- (f) Human assets vis-a-vis total assets.
- (g) Value of human assets in an organization.

In India, human resources until now has not been introduced as a system. So far as the statutory requirement is concerned, the Companies Act, 1956 does not require furnishing of any significant information about resources in the financial statements of companies. The Institute of Chartered Accountants of India, too, have not issued an accounting of standard for measurement and reporting of cost and value of human resources of an organization. However, the existing accounting standards, in the absence of any negative directive, may be seen to support the adoption of human resources accounting by an organization for the purpose of meeting its own requirements. As a result, HRA has become a sparingly implemented practice in the corporate sector in India. The result of non-disclosure of human resources cost and value information in financial statements of business enterprises has been that financial statements do not reveal any quantitative information on human resources and the state of affairs is improperly reported to different authorities.

The dichotomy in accounting between human and non-human capital is rather fundamental, while the latter is recognised as an asset and recorded as such in the financial statement, the former is totally ignored. With the accelerated growth in science and technology, the value of human capital is gradually increasing and

hence it is essential for a company to reflect the investment in human resources. In the absence of HRA, the management may not realize the negative effects of certain programmes aimed at improving profits in the short run. Such programmes may result in decreased value of human assets due to fall in productivity levels, high labour turnover and low morale.

The success of an organization largely depends on the quality of workforce at various levels. The success stories of BHEL, Hindustan Lever and several other enterprises are largely due to their emphasis on human resources development. To the extent, if the vital asset is not shown in the balance sheet, the investors are handicapped. HRA helps the investors and the public by supplying the necessary and valuable information.

We may now examine some implications of human capital reporting and finally some emerging issues in this connection. Disclosure of human capital values by the organization will provide valuable information to the financial statement users. The information is relevant as it concerns organisational changes in its labour force. The decision makers may draw some inference from the reported values of human capital.

- (i) The determination of human capital value suggests a new set of financial ratios. The ratio of human to non-human capital indicates the degree of labour intensiveness.
- (ii) Reported human capital provides information about the changes in the structure of labour force.
- (iii) The difference between the general and specific values of human capital is another source of valuable information for management and the analyst.

The problem of reporting human capital values in financial statements has two dimensions :

- (i) The measurement of the value of the firm's workforce and
- (ii) Measurement and amortization of the organisation's investment in human resources.

Some objections are raised against the incorporation of human capital values in accounting reports. They are :

- (a) The human capital cannot be purchased or owned by the firm and it would not be recognised as asset.
- (b) The labour cannot be treated as asset since it has no service potential extending after a given period.

(c) Accountants objected to report it on the ground that it cannot be objectively measured.

The first objection is true with respect to individual employee who can resign at will. But it is not true when firm's labour force is considered as a whole. Secondly, the programmes like orientation cause for new employees, training programmes, facilities for improving employees' morale and motivation create service potential beyond the period. Thirdly, the objective in human capital measurements which are based on census data is not lower than that of many valuations in conventional accounting.

Through HRA enlarges the scope of accounting, some limitations remain inherent in the models adopted for valuation of human assets. First, the models' scope is restricted to the nature and determinants of an individual's value to an organization. The models treat an individual's value as an independent phenomenon. But the validity depends upon several variables including the nature of the organization and the degree of interdependence of organisational roles. It therefore, ignores the dynamic aspect of organisational phenomena. Moreover, there is no uniformity in the application of the models. As a result, subjectiveness crept in the valuation which poses a real problem. Finally, the use of differential discount rate by different organizations restrict the comparability of data, so generated to reflect the human resources.

These limitations suggest for further research on this complex problem.

PROSPECTS

Human asset accounting still remains a voluntary disclosure on the part of business entities and as yet, no exposure draft has been issued for such a specialized report. Unless this minimum initiative is taken by the accounting bodies, such as, India Accounting Standards Board and also the International Accounting Standards Committee outlining the format, provisions and guidelines, a real push to this additional information can scarcely be expected. One has to reckon that, accounting for people as organisational resources, though it has a high relevance evaluation, has a low objectivity evaluation.

QUESTIONS FOR DISCUSSION

1. Distinguish between recruitment and solution ? Why careful recruitment policy is so important in India ?
2. Discuss the different sources of recruitment of employees in India.
3. Discuss the internal sources of recruitment of employees of an organization. What are its merits and demerits ?

4. Discuss the recruitment policy in India in the post—independence period.
5. What is employment interview ? What are its types ?
6. Write Notes on : (i) Blind Advertisement, (ii) Employment Exchange, (iii) Sons of the soil, (iv) Raiding.
7. What is performance appraisal ? What are its objectives ?
8. Discuss briefly different methods of performance appraisal.
9. Write Notes on : (i) Appraisals by results and MBO, (ii) 360-degree feedback, (iii) Critical Incident method.
10. Distinguish between training, education and development. Why is training so important in HRD ?
11. What are the different methods of training ? Why training so important in India ?
12. What is management development ? What are the different methods of management development ?
13. What are the objectives of Human Resource Accounting? What are its limitations ?
14. Describe briefly Lev-Schwartz model of Human Resource Accounting. What are its limitations ?
15. Describe briefly the Jaggi and Lan model of Human Resources. What are its limits ?

Module 3 □ Compensation

Compensation has two functions—the equity function and the motivational function. Firstly, remuneration provides a standard for measuring an individual's past performance and present accomplishment.

As Megginson points out, it is assumed that adequate compensation relieves individuals from financial worries and thus, enables them to put forward their best efforts on their jobs. Individuals are likely to work effectively if they visualise that the prevailing reward system provides "equitable" remuneration for their efforts. Secondly, compensation functions as a motivator to future initiative, human behaviour being highly complex with numerous motivational determinants. An employee's motivation can be harnessed partly by providing equitable financial rewards as well as satisfying higher level needs. It is assumed that compensation forms a defence mechanism to meet job frustration, conflict and anxiety effectively.

The motivational theory of wages indicates that differential increases in wages lead to direct and proportional differential increases in efforts. Accordingly, the higher the pay, the more its motivational strength to raise productivity. It further stresses that individual productivity varies in terms of rewards obtained from the management and the group. A third assumption of this theory is that an individual's perception of the "fairness" of his compensation determines his role in productivity.

Traditional theorists define wage and salary administration as the process which helps in determining wages and salary levels and structures in organisational settings. The wage, frequently expressed as an hourly rate, forms a payment for an individual's services ; while the salary relates to such payment frequently expressed as a monthly rate. A wage or salary level relates to the average of the rates paid for the jobs in a given population (i.e., enterprise, industry, religion, nation, etc.), whereas a wage structure means a hierarchy of jobs where wage rates are embodied. Thus, the traditional approach is limited to the determination of wage levels and structures. On the other hand, as Dunn and Stephens observe, the modern approach stresses the total compensation systems involving intrinsic and extrinsic rewards. When linked with performance, they cause satisfaction if they are considered equitable. Intrinsic rewards stem from within the individual ; while extrinsic rewards are provided by the management. The extrinsic rewards have been classified in two categories—wages and salaries and supplementary or fringe benefits.

There are several theories of wages including the subsistence theory, the wage fund theory, the marginal productivity theory, and the investment theory. The subsistence theory asserts that the real wage level will average out to be a

subsistence level in the long term. As the theory was based on a wrong logic, it was abandoned long ago. The wage fund theory assumes from a macro standpoint, that wages were paid from a fixed fund and interprets short-term wage determination. This theory has been attacked on the plea that a fixed fund was invalid. The marginal productivity theory is micro and relates to the query of why a wage is paid, and how it is determined. The answer is that, it is paid to procure the services of an individual. The employer tends to compare the value of an individual's product with the price (wage), which he has to pay for that individual services. Thus, the theory stresses demand for labour, but is weak on the supply side and involves circular reasoning. Although the theory relates to the short-term functioning of an enterprise, it has been modified to effectively explain long-term problems as well. The recent investment theory asserts that a wage is paid to an individual in terms of his investment—training, education and experience.

In practice, there exists several wages criteria to justify wage decisions. Among these are included going wages, ability to pay, productivity, cost of living and purchasing power which provide guidelines for decisions regarding wage level in an enterprises. As far as wage structure is concerned, it can be determined by job evaluation. This can be performed by using one of the four methods—ranking, classification, point or factor comparison. After job evaluation, attempts are made to classify jobs of relatively equal value into labour grades and then price them. Here, the issues of level and structure merge together. This leads to the problem of individual wage determination. This can be solved by seniority, merit or a mixture of the two. After individual wage determination there arises the problem of the method of payment. There exists two methods—time and output. The time method is largely practised.

Dunn and Stephens discuss the problem of rewarding exempt employees which differs from that of blue-collar employees. While the blue-collar compensation plans price the job, white-collar programmes price the man. Obviously, the investment which an executive "brings to" his job is different from that of other categories of manpower. Likewise, the efforts which the former "puts into" is also different from the inputs of the latter. Executive efforts are directly related to organisational growth and managerial compensations are linked with the objective of the organisation.

Meggison provides guidelines for compensating exempt employees—scientific, technical, professional and managerial. The personnel, in the lowest salary ranges, should be given financial increases at regular intervals and of substantial quantities. On the other hand, the comparatively better paid personnel and those in the upper salary bracket should be given increases in a decreasing quantity and frequency for they attach importance to other factors such as autonomy, esteem etc.

Fringe benefits refer to supplements to wages obtained by the employees at the cost of the employers. Fringe benefits are also called "wage extras", "hidden payroll", "non-wage labour costs" and "supplementary wage practices". The list of fringe benefits covers numerous items, such as pension and other agreed-upon payments (employer's share only), legally required payments (employer's share only), paid rest periods, lunch periods, etc., payments for time not worked and other items such as profit sharing payments, festival or other special bonuses, service awards, suggestion awards, free meals, tuition refunds etc. Thus, fringe benefits embrace both voluntary and involuntary programmes. These programmes are intended to improve employer-employee relationships, minimize excessive labour turnover costs and provide a sense of individual security. Fringe benefits can be most effective if they are geared to the preferences of employees as determined by research programmes.

Profit sharing, as a part of fringe benefits programme deserves special mention in view of its widespread adaptation. It is a kind of bonus payment which has been defined as an argument freely arrived at, by which participants obtain a share, determined in advance, of the profits. Profit sharing can be in three forms—cash, deferred and a combination of both. The objectives of the profit sharing are to develop a sense of partnership and common interest between employer and employee ; provide a group incentive system ; attract capable individuals and retain them ; increase productivity ; create a climate for harmonious employee relations and give satisfaction to employees.

Wages and Salary : Minimum Wage, Fair Wage and Living Wage.

The subject of minimum wages is of fundamental importance to the study of wages in India, for the fixation of minimum wages is generally the starting point in the evolution of a rational wage structure.

If the labour market at any place is imperfectly competitive, the wages that workers get are lower than what they would have otherwise got. One has not to exert much to show that the Indian labour market is by and large imperfect and the conditions of monopsony generally prevail in many industries; consequently the wages that the workers get are not always 'fair'.

The determination of wages in India till lately, has been guided by the laissez-faire doctrine and even today, most of the wage decisions are based more or less on the strength or weakness of one party or the other in fighting a case before a law court. The result of this has been that the Indian wage structure at present, presents a chaotic picture. Wage problems are now agitating the minds of the government as well as all serious thinking people. It is easily recognized that left to itself, the wage structure is bound to be unsatisfactory and in a planned economy,

it is inevitable for the state to regulate wages. The Socialist Society objective of our State Policy makes it further imperative for the Government to interfere and regulate the payment of wages to the waker and unprivileged section of the society.

Labour has justifiably agitated for what is called a 'minimum wage'. From both humanitarian as well as national stand points, there is no doubt that sweating of labour must be prevented. Only in case of industries, where enforcement of minimum wage might result in closing down of the industry, there can be a difference of opinion. A reasonable standard of living should be permitted to the employee from the standpoint of the employee's health ; and well-being and the nature of his work. The main advantage of fixing a minimum wage is that it prevents sweating. A possible disadvantage is that fixation of minimum wage may result in making it maximum wage. Another objection claimed is that as this minimum wage must out of necessity differ from place to place, according to the cost of living etc. ; the standard of wages would also fluctuate in spite of their being a fixed standard of wage all round.

Wage regulation has two aspects : regulation of minimum wages and regulation of maximum wages to be paid to workers. Regulation of maximum wages to workers, as distinct from fixation of ceiling on income, is not an immediate problem today, and as the Second Five Year Plan lays down, it should be the end-product of a process, and not the beginning. It is therefore, with the fixation of minimum wages for the low paid worker, that the term of regulation of wages is generally associated.

Objects of Minimum Wage Regulation—The history of minimum wage legislation in other countries shows that the objects of wage regulation by the State were either—(i) prevention of sweating of the poor and unorganised workers or (ii) maintenance of industrial peace or (iii) prevention of unfair competition between employers, or (iv) promotion of organisation amongst workers to enable them to determine for themselves a fair price for their labour. Generally, the prevention of sweating or payment of low wages was the main object of minimum wage legislation. In England, France, USA and other countries, when the minimum wage legislations were first enacted, the main object was to fix a bottom limit of wages for the sweated workers. In New Zealand and Australia, on the other hand, regulation of wages was primarily done for the purpose of checking and avoiding industrial disputes. The Industrial Arbitration Act of 1894 was established in New Zealand for compulsory settlement of disputes and fixing wages, wherever necessary. It must, however, be realized that the objectives of prevention of sweating and maintenance of industrial peace are, to a considerable extent, related with one another in the sense that the fixing of minimum wages removes one of the main causes of disputes and discontent among workers, and thereby helps in maintaining industrial peace. Some people

are, therefore, inclined to say that the main object of minimum wage legislation is to fix a rate of wages adequate to the necessities of the workers and other objects, namely, maintenance of industrial peace or promotion of the organisation of workers are the results of such a legislation.

The elimination of unfair competition between employers which results from the under-cutting of wages by some unscrupulous and inefficient employers was also an important object of government wage regulation. Thus in Portugal and Yugoslavia, the main object of wage regulating legislation was to fix and regulate wages, wherever it appeared to the authority concerned that a systematic wage reduction by certain employer was taking place. The American Fair Labour Standards Act of 1938 which fixed a statutory wage rate for workers employed in industries and affecting inter-state commerce, primarily aimed at prevention of unfair competition among employers engaged in inter-state trade and commerce. The fourth object of wage regulation is sometimes said to be the promotion or encouragement of the workers' organisation. In fact, The New Zealand Industrial Arbitration Act of 1894 was originally called an 'act to encourage the formation of industrial unions and associations'. These were, therefore, the four historical reasons for wage regulation in different countries. Generally speaking, the object of minimum wage regulation in highly developed economies is primarily the adoption of a uniform and scientific wage policy, so that the economy as a whole may progress on right lines; on the other hand, in underdeveloped economies, the main object of minimum wage legislation is to protect workers from exploitation, and to ensure to them the necessities of life and a better mode of living. Minimum wage legislation is, therefore, the basis on which the wage policy and the wage structure in a country are built up.

Methods of Minimum Wage Regulation—There are two methods by which the State can interfere and regulate minimum wages—Indirect and Direct. The State can regulate wages indirectly either by fixing minimum wages in public employments and public contracts and/or extending voluntary collective agreements entered into between employers and employees in one establishment to other establishment in the same industry. The State, by fixing minimum or fair wages in its own factories, gives a lead to other employers and paves the ground for fixing similar wages in other similar employments. The wages fixed by the government in their employment also serve as model wages and indirectly regulate wages in private employments. Again, by inserting what is commonly known as 'fair wages clause' in all public contracts, the government can compel the contractors to pay the workers, employed on the job, minimum or fair wages. In most countries, the provision of 'fair wages clause' in public contracts is almost universal now.

Legal extension of collective agreements to third parties is again an effective indirect method of regulating minimum wages. There is considerable justification in legally extending the collective agreements entered into between the workers and conscientious and good employers. Collective bargaining amongst employers and workers is always a preferable method of industrial relations. But the difficulty arises when some good and conscientious employers agree to pay fair wages to their workers ; while less conscientious employers continue to pay lower wages. This reduces the competitive capacity of the conscientious employers who, are, sooner or later, compelled to reduce the wage of their workers also. The extension of collective agreements legally to other parties has, therefore, not only the advantage of enabling the workers in other establishments to get better wages but also of standardising labour conditions throughout the industry and thereby avoiding discontent amongst workers. The extension of collective agreements can either be automatic or voluntary.

Wages can be regulated directly by the State either by (1) fixing minimum wages statutorily by law applicable throughout an area or throughout the State ; or (2) by setting up a machinery for the purpose. The first method involves, in a way, the fixing of a national minimum wage for the country as a whole. The system has its own drawbacks, and even in smaller countries, it is not generally favoured. In a large country with wide variations in the living and working conditions of the workers, the fixing of a national minimum wage for the whole country is all the more impracticable and undesirable. A national minimum wage will either be too low for certain types of workers or it will be too high for others ; and in both cases, it will have little practical meaning. Moreover, fixing of a flat rate without giving due consideration to the quantum or quality of work done by different types of workers or to the capacity of different industries to pay a national wage, can hardly said to be a satisfactory method of regulating wages.

A permanent wage regulating machinery can be either—(1) Conciliation and Arbitration Court or (2) Wage Board or (3) Permanent General Commission.

In Australia and New Zealand, minimum wages are generally fixed through conciliation and arbitration courts. An arbitration court can take cognition of a dispute only when it has actually arisen and a strike or lockout is threatened. It cannot, therefore, encourage the development of the art of free negotiation and voluntary mutual settlement of disputes. A law court is full of legal complications, involves representation through lawyers, notocious delays in the settlement of cases and creates a fighting spirit among the parties. The system ultimately results in the discontentment of one party or the other.

The second direct method of fixing and regulating minimum wages is what is known as Wages Boards or Wages Councils System. These Boards usually consist of representatives of employers and workers in equal number together with either an independent Chairman appointed by the government or a certain number of independent members. They may be set up either for a region to deal with all industries in that area or for each industry separately covering the whole country. Generally, the pattern followed in most countries is to set up one Board for one trade or industry. Again, these Boards may either be a permanent feature to serve as a standing machinery for fixing and reviewing periodically wage rates in respect of an industry or they may be appointed on ad hoc basis to enquire into the structure of a particular industry, and to recommend 'minimum' or 'fair' wages. The process of working of these Boards is democratic; the workers' representatives and the employers' representatives sit around a table and present their case in a congenial atmosphere. There is no fighting spirit between the parties and there are no legal formalities. The points of disputes are thrashed between the representatives themselves and the independent members generally help them in arriving at a settlement. The decision of the Wage Board is communicated to the appointing authority, and as soon as it is accepted by it, it becomes binding on the parties. One of the advantages of the Wage Board system is that the representatives of the employers and employees get to know each other intimately and any dispute which may arise at a later stage is amicably solved with the help of the previous decisions and understanding. It also helps in the evolution of an integrated wage structure for the industry as a whole. The time taken by the Wage Boards in arriving at a decision is comparatively short; and the decisions mutually taken are more lasting than those obtained through an arbitration court.

For the successful working of the Wage Board System, it is desirable to have one Wage Board for one industry which should be a standing machinery to deal with the cases as they arise and to revise the wage rates periodically, according to the conditions prevailing. It is essential to maintain proper co-ordination and uniformity in the principles of wage fixation followed by different boards; otherwise different rates may be fixed on different criteria by different boards for different industries at the same place, which is bound to cause discontent amongst workers. In many countries, Wage Boards are assigned with other legislative and administrative functions besides the fixation of minimum wages.

One of the draw-backs of the Wage Board system is that, very often there is lack of uniformity in the principles and practices followed by different boards which give rise to serious trouble. In order to meet this difficulty some countries appoint a Central Commission either for a region or for the State as a whole. The Commission, which is a permanent body, considers the questions of minimum wage fixation and

other matters connected therewith as they arise in different industries. An advantage of this system is that the Central Commission is able to scrutinise the decisions of the various Wage Boards and ensure the application of uniform principles and practices in different regions and in different industries. Canada furnishes a good example of these permanent Central Commissions.

Principles of Minimum Wages Fixation—Three main principles have been followed by different wage fixing authorities in determining the minimum wages to be paid to the lowest paid workers. These are : The Living Wage Principle, the Fair Wage Principle and the Capacity to Pay Principle. The adoption of one or more of these principles in a country depends on the object and purpose behind the legislation.

The concept of Living Wage—The objective of minimum wage legislation was mainly to improve the standard of living of persons whose wages were very low and thus avoid the evils of sweating labour. Minimum wage laws in different countries generally aim at fixing the minimum wage at the living wage level.

The living wage principle is essentially based on ethical grounds. The term 'living wage' is defined in different ways ; generally to mean a wage adequate to enable a worker to maintain himself and his family in a fair and reasonable standard of comfort. It has very little relation either to the value of the service rendered by the worker to the community or to the capacity of an industry to pay that wage. In a socialist pattern of society, this principle assumes greater importance in as much as, no one is to be allowed to be exploited or to get an indecent or insufficient wage. It is important, however, to realize that the concept of 'living wage' is a relative one. What is reasonable or adequate with reference to one society or one nation may not be reasonable or adequate for another class of persons. Difficulties, therefore, arise in defining and translating a living wage into money terms. In most cases, a living wage is worked out with reference to the nutritional and other requirements of a worker's family. There is, however, considerable arbitrariness in determining the amount of a living wage.

From a practical view-point, a living wage is a wage which provides the worker with a standard of life furnishing him with necessities of life plus certain amenities ; considered necessary for the well-being of the worker determined in terms of the position of the worker in a particular denomination.

The wage should act as an incentive to the worker to work and produce sufficiently in quality and quantity to justify such payment by the industry where employed. However, it must not be forgotten that in a country like India, where labour is mostly illiterate, a method of payment of a living wage, as well as calculations by which one can fix that wage will naturally have to be considered from a different standpoint

from those prevailing in advanced countries of Europe and America. The living wage when paid to an educated worker is generally utilised for healthy living, as well as for acquiring various comforts and amenities, besides some savings for a rainy day. It is the experience of European and American countries that where such a living wage was paid to an illiterate labour, it was wasted on vices and drink, instead of being used for the benefit of the worker, his family and his comforts. However, this cannot justify not paying the employee a minimum wage. It is only where the illiterate worker is paid a higher wage, instead of utilizing the money for the various purposes for which it is given, he may take comfort in taking holidays or absenting himself from work for so many days in the month as he feels he does not need more money immediately. This results in absenteeism, so common in our factories, where the employee utilizes a portion of the wage on vices instead of amenities, who object with which the living wage was paid is naturally defeated.

The Concept of Fair Wage—The Fair Wage principle rests primarily on the classical definition of 'fair wages' by Marshall, who explains that wages in any occupation are 'fair', if allowances being made for differences in the steadiness of the demand for labour in different centres, they are 'about on a level with the average payment for tasks in other trades which are of equal difficulty and disagreeableness which require equally rare natural abilities and an equally expensive training'. In other words, the principle of 'fair wage' seeks to determine minimum wages in an occupation with reference to the prevailing rate of wages in that locality or trade. The principle by and large involves the achievement of three things : (1) standardization of wages within the industry i.e. same wages for workers of similar grade or skill or efficiency in the same or allied industry or trade at all places, (ii) uniformity of wages in all occupations in an area i.e., same wages for works of similar grade or skill or efficiency as the average wages paid to a large number of workers in other industries in the same districts and (iii) fair margins between the wages of unskilled, semiskilled and skilled workers or work involving different advantages and disadvantages.

The Capacity to Pay Principle—The principle of capacity of an industry to pay derives its basic importance from the adage : 'one cannot take out more than a quart from a quart pot'. It is no doubt true that the advocates of the Living Wage Principle would like an industry, which cannot put to its workers a reasonable living wage, to close down rather than to be a parasite and exploit workers. But from the practical point of view, the principle of what the trade can bear can hardly be ignored. Even the most sympathetic judges of the Australian Arbitration Court could not easily dismiss the case of depressed and essential industries, and in several cases awarded lower wages for "staggering and languishing" industries. It is, however,

important to point out that while considering this principle, the capacity of an undertaking, as distinguished from the capacity of an industry as a whole, should not be the determining factor. It is quite correct to consider the financial position of the industry are being run inefficiently, there is not justification for allowing a premium for the inefficient organisation by way of a lower wage for the workers. Usually it has been experienced that once a wage has been fixed for the industry as a whole, the inefficient units, being required to pay higher wages, catch up and improve their organisation. The measurement of the capacity of an industry to pay is, again, not an easy matter. Some of the criteria which have been followed in different industries for determining the capacity of an industry are : (1) the selling price basis, (2) output basis, (3) profit and loss basis, (4) volume of employment basis, (5) export basis etc. None of these bases are satisfactory by themselves, and not very infrequently workers agree with or have faith in the statements presented by employers. Nevertheless, wage-regulating authorities have usually been able to give some consideration to this principle and have been able to get an idea of the financial position of an industry. There are no clear-cut formula for determining the capacity of an industry to pay a particular wage, and it is as difficult to find it out as it is to know the taxable capacity of a nation or the price that would be paid by a man for a postcard for sending an urgent message.

The study of the history of minimum wage regulation in different countries show no one of the three principles mentioned above has been followed to the exclusion of the other two. The wage fixing authorities have generally been guided by a combination of these principles depending upon the situation of a case or the condition of the country's economy as a whole. Broadly, the Living Wage Principle has been the guiding criterion. Wherever it was not possible to fix a living wage from the very beginning the authorities first fixed a fair wage, i.e., the prevailing rate of wage paid by good employers in an industry and an attempt was made to increase the fair wage gradually to the level of living wage. The principle of capacity to pay has also been kept in view by the wage fixing authorities, and often different rates have been fixed for depressed or staggering industries for a limited period. But the general view of the wage-regulating authorities have been that if certain traders are not able to pay a fair or living wage to its workers, it is much better that they go out of business than continue to be parasites.

FRINGE BENEFITS

The 1950's have been marked by a new concept in labour management relations—that of fringe benefits. The term 'fringe benefits' was first used in 1943 by a regional Chairman of the National War Labour Board in the USA. Since the end of the Second World War, the payment of fringe benefits has become a regular feature of

the industrial wage system. Management expects that the cost of fringe benefits will be offset by increased efficiency, reduced turnover and other tangible benefits to the company.

To get a true measure of labour costs, the economist must take fringe benefit costs into account, since international studies suggest that such costs can be a considerable proportion of total labour costs. In the wider sense, fringe benefits include all expenditure by the employer on labour other than basic wage and in the narrow sense it includes those benefits which the employee can convert into cash. As there is no generally accepted definition it is better to describe fringe benefits by its characteristic rather than define it. Fringe benefits have the following characteristics : (i) they all cost the employer money ; (ii) they all either add to the employee's pay or are of some service to him ; (iii) they are available to all or most of the employees ; (iv) their cost rises or falls as the size of the work-force changes.

Fringe benefits in the guise of supplementary labour costs are an addition to wage cost which an employer incurs in providing labour. In general, fringe benefits which are very broadly 'welfare', represent an investment in labour resources.

Using the term 'fringe benefits' to describe payments other than wages to employees or for their service is becoming more and more misleading and may soon be anachronistic. This follows from the fact that the cost of these benefits has become so substantial that they have ceased to constitute a 'fringe' and have become, instead, an important segment of the compensation of employees.

What do these benefits consist of ? Most people agree that the term includes pay for time not worked, such as vacations, holidays, and sick leaves. However, some labour leaders object to the title of 'fringe' applied to vacations, holidays and rest periods, which they claim, directly contribute to efficiency by increasing the morale and productivity. Most people also agree that fringe benefits include payments for the possible benefits of certain employees and obligations to make payments directly to them in certain contingencies. Generally speaking, the cost of these payments is money that otherwise would go directly into the pockets of individual employees but which some one decided to spend for the possible benefits of the employees. These kinds of payments are pensions, provident funds, death benefits, disability benefit, accident benefit, occupational disease and many others. The greater part of this goes into 'benefits' that some current employees may never enjoy. Provident fund is a case in point. Under the provident fund scheme, the employer pays so much to provide provident funds instead of paying the same amount to the employee.

It would be a misconception to think fringe benefits entirely a 20th century development. Various items of non-wage remuneration were important before the

Industrial Revolution. Where firm workers had something like an employee status, the contract of employment was a long term one including many matters which would now be thought of as fringe-benefits. Fringe benefits were certainly available to industrial employees in the 19th century, but they were of rather a different type and provide for a different purpose.

Thus fringe benefits are not new but have changed in character over the last 50 years or so. They have become especially important in the post-war period because of the development of our attitudes to social security.

During the 20th century two significant trends have emerged which have had some effect on the development of fringe benefits. First, the increase in the number of salaried workers resulting from the growth and professionalism of management and other 'white collar' occupations and from the increasing complexity of production techniques. It is a fact that salaried workers have always received somewhat better treatment in the matter of additional benefits from work and the greater the number of salaried workers the more important fringe benefits will be. Secondly, collective bargaining has had some influence on the growth of fringe benefits. But at the same time it should be remembered that collective bargaining has not generally been the medium through which fringe benefits have been introduced. Pension schemes, sickness benefit, company subsidized facilities, even in some cases longer holidays, have until the very recent past been introduced unilaterally by the employer. Trade Unions' reactions ranged from mild interest or indifference to hostility if there was a suggestion that the employer was attempting to wean allegiance from the union to the firm.

Fringe benefits are now attracting very much attention simply because recent events and their developments have led to the realization that in terms of cost to the employer and advantages for employees, these benefits could be important.

The following two arguments are generally used as economic justification for fringe benefit expenditure. First, fringe benefits help to attract better employees to the firm, so increasing productivity by changing the structure of the labour force; and secondly, the quality of existing labour force and its efficiency are improved if certain fringe benefits are offered, without the firm attracting any additional employees.

Evolution of Fringe Benefits

In the UK the payment of fringe benefits started in the earlier years of the Industrial Revolution. Some social-minded employers then sought to ameliorate the conditions of their employees by providing certain amenities and facilities. Initially, the benefits provided by employers consisted of gratuitous payments made to

employees to enable the latter to meet such contingencies as sickness, physical disability or insecurity on retirement. However, with the high profits made by employers under technological advances and the pressure exerted by trade unions, the practice of providing voluntary benefits made further progress. The exposition of social ideas by such thinkers as Robert Owen in the UK and Leclaire advocated profit sharing. In most European countries these ideas extensively influenced the course of social welfare legislation till the end of the 19th century.

By the first decade of the present century the system of fringe benefits gained currency in almost all countries of the West. Medical benefits, workmen's compensation, maternity benefits and compulsory social insurance were introduced in most countries of Europe, Australia and New Zealand.

After the First World War, the system of fringe benefits expanded rapidly due to many influences. First, the end of the War witnessed the emergence of ILO which, through numerous conventions and recommendations promoted joint international action to secure the enforcement of several benefits such as the provision of holidays, sickness insurance, compensation for accidents and occupational diseases, old-age and invalidity, paid holidays etc. Secondly, modern researches into scientific management and industrial psychology also establish positive correlation between fringe benefits and higher productivity. Thirdly, the emergence of a new, enlightened managerial class also contributed much to the extension of the system of fringe benefits. This new class felt the need to secure the co-operation of workers in the process of production and this realisation led to an extension of fringe benefits. Lastly, tax consideration was another important factor accounted for the rapid growth of fringe benefits in USA. The federal war-time tax structure was designed to confiscate excessive profits; yet it did recognize contributions to health and welfare and pension plans as legitimate business expenses and therefore non-taxable.

In India fringe benefits paid in the early phases of industrial development consisted mainly of gratuitous payments made by employers to deserving employees. With the Factories Act of 1881, a new chapter began in labour welfare. This Act was amended in 1891 provided for the first time the benefit of paid weekly holidays. No statutory addition to fringe benefits took place until after the First World War, although voluntary benefits continued to increase. In 1923 the Workmen's compensation Act was passed which provided for compensation in case of accidents resulting in the death or disablement or occupational diseases of an employee. The Factories Act of 1934 made an attempt to increase the material welfare of industrial workers. Fringe benefits increased considerably during the Second World War. In addition to voluntary benefits provided by employers, such as housing, medical care and

retirement benefits, the government also enforced welfare measures by promulgating ordinance. Despite these efforts, the development of benefits remained rather uneven and varied from factory to factory. The Labour Investigation Committee of 1944 underlined the need to extend these activities so as to cover mines, plantations, communications as well as factory industries. In 1948 a new Factories Act was passed incorporating a separate chapter on welfare. A number of social welfare legislations was passed to provide amenities to workers. Apart from State action, the awards given by Industrial Tribunals and in many cases, the collective agreements concluded between employers and workers also contributed much to expand the scope and coverage of fringe benefit.

Although fringe benefits have become a regular feature of industrial wage system in the modern times, the proportion of fringe benefits in the total wages of employees has varied widely from country to country. In some countries, fringe-benefits constitute only negligible amount, while in other countries they constitute significant proportions, namely 14 percent in the UK and 22.8 per cent in the USA to as high as 52 per cent in Italy.

Objectives and Types of Fringe Benefits

The main objectives with which fringe benefits are offered with a view to : (i) induce happier employer-employee relations ; (ii) generate good morale in the employees ; (iii) provide a psychologically satisfactory work environment; (iv) cater to the health and the safety of the employees ; (v) promote employee welfare ; (vi) induce loyalty to the company and (vii) meet the legal requirements.

These employee fringe benefits may be a result of management's policy decisions made voluntarily or may be those forced upon it by government legislation or as a result of bargaining with trade unions. Benefits such as provident fund, gratuity, maternity benefits and workmen's compensation are those made compulsory by government legislation. Facilities regarding health, recreation etc. are often introduced voluntarily by management. Benefits such as overtime, paid holidays and housing are often a resultant of trade unions' pressures.

Cockman has made a two-fold classification of fringe benefits : (1) Those which are offered on the basis of status—car, entertainment facilities, holiday, foreign travel, telephone; security—insurance and medical benefits, Children's educational facilities and work benefits—office accommodation, secretarial services, management training, company scholarships and (2) Those which are key benefits, that is, share schemes; profit sharing, retirement benefits, counselling services and house purchase facilities.

Wage and Salary Administration :

Services rendered by individuals to organizations have to be adequately paid for. This compensation generally comprises cash payments, which in addition to wages

includes pensions, bonus for good work and shared profits. Compensation could also be in the nature of promotions or words of praise. Workers also derive a certain amount of personal satisfaction as compensation for a job well done. It is difficult to outline and explain every aspect of the payment of compensation. Besides wages, there are certain aspects of job compensation which an employee looks for, such as job satisfaction, job content, responsibility, creativity, and so on. This section will deal mainly with wage and salary administration.

Various theories of wages have been put forward in the past. Yet none have been able to cover all aspects of the problem and explain the variations. The central questions of wage theory as classified by Dunn and Rachel¹ are :

1. Why is the general wage level what it is ?
2. What causes the wage structure to be what it is ?
3. Why do these rates and structures vary widely between firms, industries and geographical regions ?

The concept of demand and supply are generally used to help analyse wage theories. As John T. Dunlop² puts it: "All wage theory is in a sense demand and supply analysis. A wage is a price, and the wage structure is a sub-system of prices. Prices and price systems are fruitfully to be interpreted in terms of demand and supply....."

PRINCIPLES IN WAGE FORMULATIONS :

A sound compensation package should encompass factors like adequacy of wages, social balance, supply and demand, fair comparison, equal pay for equal work, and work measurement³. The concept of adequacy has two components, the internal and external. The internal component has a link with the fair wages concept, i.e., for a given job, is the money compensation adequate for an employee to maintain a decent standard of living; is the money wage adequate to cover basic needs such as housing, food, transport, medical care, children's education and the possibility of some saving for a contingency. The external adequacy would be in relation to comparable jobs in other industries with similar background requirements. The wage compensation for a particular job should not be less than what it can command elsewhere.

In a labour surplus economy it will always be possible to find employees willing to accept jobs at lower rates. Given the supply and demand situation, employers

1. J. D. Dunn, F. M. Rachel, Wage and Salary Administration : Total Compensation systems (New York : McGraw-Hill, 1971) p. 21.

2. J. T. Dunlop (ed.), The Theory of Wage Determination (London : Macmillan, 1964), p. 14. 'Report of the Third Central Pay Commission, 1973, Govt. of India, Ministry of Finance, New Delhi.

have an ethical obligation to pay fair wages. This concept of fairness should operate both for the employer and the employee, i.e., standard of work should be comparable with that of similar industries.

Comparing jobs across similar industries is one aspect in terms of fairness, but there is yet another factor that needs consideration and that is designing and implementing a compensation system which establishes parity of jobs, internally as well as externally. Internally, persons doing similar jobs in an organization should be similarly compensated. In order to establish parity, factors like complexity of the task, skill requirement and job differentials, and an objective system of job measurement needs to be considered. The one that has been evolved is the job analysis and evaluation method.

The compensation plan should be simple. It should have few grades and preferably not overlapping ones. For instance, in the cadre system which is the practice in government similar occupations but belonging to different cadres have different grades, which at best are marginally different either at the beginning of the scale or at the top of it.

In India, government has long involved itself with wages and allied matter by enacting legislation. There are many pieces of legislation concerning an employee's terms and conditions of employment, but here we shall be concerned with only those acts having direct bearing on wage aspects.

WAGE LEGISLATION :

Government has enacted legislative measures to protect the wage earners rights and to emphasise managerial obligations in this regard. Legislation only sets the floor below which rates and obligations cannot fall; nothing prevents more liberal terms being negotiated through collective bargaining processes, wherever they exist. We shall briefly consider the main philosophy of three pieces of wage legislation.

The Payment of Wage Act, 1936 :

The primary objective is to ensure that wages are paid properly and all malpractices like "non-payment or short-payment or irregular payment, or payment in kind rather than in cash or short measurement of the work of piece-rate workers" are avoided. The Act covers all employees earning up to Rs. 1000 per month. The Act provides for the wage period-one month-and the mode of payment, i.e., cash on a working day which should be paid before the seventh for organizations with less than a hundred employees and by the tenth for larger organizations.

The Act also stipulates the period by which discharged employees are to be paid their dues and forbids salary deductions unless so authorized by the employee.

Finally, an employer can levy a fine only after due notice is given, the Government has cleared the proposal, and the workers point of view considered.

The Act seeks to protect workers from being exploited and to ensure timely and exact cash payments.

The Minimum Wages Act, 1948 :

This piece of legislation seeks to avoid exploitation of workers by underpaying them for their efforts. The minimum wages sets the floor for pay levels for the skilled occupations. It takes into account the bare minimum that is needed to keep a man's "body and soul" together.

It is a central legislation but is implemented by both the central and state governments in their respective spheres. For instance, the central sphere covers oil fields, major ports and mines.

The Act provides for the computation of the cost of living allowance and cash value of concessions like essential commodities supplied. The Act also lays down penalties for violation of the Act.

COMPENSATION ISSUES :

The main problem facing any organization with regard to wage and salary issues is payment of a fair and equitable wage. While the objective is simple, the process is complex, especially since fair wages is a relative term and since each of the parties involved highlights a different variable. For instance, the employer will be concerned primarily with productivity. The employee's emphasis may be on wages to offset the increased cost of living and perhaps the price his skill will fetch in a competitive job market.

For purposes of analysis, we shall follow Belcher's classification of the compensation issues into the following categories :

1. Wage and salary levels.
2. Wage and salary structures.
3. Individual wage determination.
4. Incentive payments.
5. Fringe benefits.
6. Compensation of managers and professionals.
7. Control.

Wage and Salary Levels :

In any organization, the wage and salary levels are dependent on four major factors—given the assumption that an organization wants to secure and retain a productive work force. They are :

1. Wage enactments of the central and state governments, sometimes modified by tribunals and courts, compliance with which is a statutory requirement.
2. Wage rates in the community and in similar industries.
3. The influence of the workers' union on the wage rates.
4. Corporate philosophy on wages.

These four factors serve as broad indicators of the base rates. Not all of them have an equal influence. Government legislation, for instance, generally sets the floor, the minimum, below which wage rates should not fall. If it is an enactment of the central government, the various state governments have to ratify and adopt it if it is to be applicable in their sphere, as labour is a state concern. Again these rates are modified by labour industrial tribunals, especially where cost of living allowances and interpretations thereon are concerned. The Government of India, following the example of Britain, set up wage boards for various industries, to arrive at a wage rate. Government agencies are, however, not able to police the entire spectrum of firms owing to paucity of staff, training and related motivational problems.

In India the degree of union strength in influencing wage rates varies greatly. At one end are the active unions with considerable influence, sometimes to the detriment of firm's viability ; while at the other end are those with non-existent roles in non-unionized or weak union situations.

Corporate philosophy or policy can be categorized by and into three types of employers—those leading the market by agreeing to pay more than the prevailing rate ; those being conservative and paying the prevailing rate ; and those being opportunistic and unscrupulous and paying less than the prevailing rate in-the community/industry. This classification is based on data gathered through wage and salary surveys. Since wages are one of the major incentives for attracting workers, corporate policy to pay less or more would depend on the availability of skilled labour. The more critical and more skilled would obviously command a premium, while the unskilled categories in an excess labour supply situation will be forced to accept jobs at less than the going rate. Some enlightened managements tend to equate profitability with employees' welfare and thus high wages become deliberate extensions of corporate philosophy.

Given these broad parameters, corporate managements still have to work out the details of the wage scale and refine the system. In this context Lonham's five criteria have a bearing on the formulation of a firm's internal wage structure :

1. Cost of living.
2. Productivity.
3. Prevailing wage rates.
4. Ability to pay.
5. Attraction and retention of employees.

Base wage rates are fixed at a point in time, and do not take into account the increased cost of living as the years go by. In order to protect the real income of employees, unions generally have a cost of living adjustment built into workers' contracts.

Cost of living allowance : To provide adequate money wage compensation for the fluctuations due to the inflationary spiral, both employers and unions follow various indexes. There is the cost of living index, for instance, which takes a base year and relates the changing price situation in terms of essentials to a series of index numbers. These numbers are then related in money wage terms by employers and unions. In addition to basic salary, employees also receive monthly dearness allowances to offset the increased cost of living. In some cases, corporate managements and unions have merged a part of the dearness allowance with the basic salary, thus upgrading the wage scale and simultaneously enhancing other fringe benefits such as retirement benefits which are linked to the basic wage rate. The Employers Federation of India estimates that the proportion of DA to the total annual earnings of employees in the manufacturing sector was around 35 per cent in the early 70's.

Productivity : Any shift in the level of productivity will have its impact on the wage level. Productivity is the increased output of an employee resulting in lower costs. The improved profit margins now available to the employer need to be distributed in a manner acceptable to both the worker and the management. Productivity increases are not the result of mere removal of restrictive practices by an employee but may also be due to better organisation and planning by the management. A third group that deserve consideration in this context, is the consumers of the company's products. They should also benefit by lower prices.

Prevailing wage rates : To test the "appropriateness" of existing wage levels, Lanham suggests inter-firm comparisons for wage rates. These comparisons would be used either for bargaining purposes or for retention of employees when the management feels that a number of its employees are dissatisfied with their wages.

Such inter-firm comparisons are generally done on a region-cum-industry basis, the rationale for such comparisons being that all similar industries (for example Engineering, Chemicals) in a region would be comparable and the cost of living factors would be similar. However, there are bound to be variations when either the management or the union emphasises a certain factor, and therefore claims a different rate. Difference in technology, such as process, batch or jobbing within a geographical region can influence and cause variations in wage rates. Sometimes just base rates are compared by managements in planning the total salary package.

Ability to pay : One of the principal concerns of management is the ability to pay the cost of wages. Increased wage costs, it is argued, cannot sustain the firm in a competitive environment. They only push up unit costs, thus cutting into the firm's market share. A constant bone of contention between managements and unions is the computation of profits, and the deductions that are made. This problem arises not only when deciding on a firm's ability to pay, but also when deciding on the annual quantum of bonus. This issue apart, managements are generally more flexible when there are large profits and reserves. Unions also consider it a good opportunity to push for a sizeable settlement in such a situation.

Attraction and retention of employees : The wage level of a company determines the number and the kind of people it will attract. If jobs are scarce, then even if wage levels are low, employees may seek employment in poorly-paying firms as an interim measure and later move out to better paying jobs. In such cases, the employee's motivation to work will be considerably less than normal.

In some cases, the firm's economic situation is such that it cannot afford to pay the going rate, placing it at a disadvantage in terms of hiring and retaining capable personnel.

WAGE-FIXING MACHINERY

For industrial workers not covered by the Minimum Wages Act, India has several well-established procedures or practices for wage-fixation and wage-revision : Wage Boards, settlements in conciliation of wage disputes, collective bargaining at the plant level, bi-partite wage revision committees in several industries, adjudication and arbitration—in the order mentioned.

The First Five Year Plan talked of 'fair wage' for workers in an industry to be adjudged by an impartial authority, with a view to evolving a scientific wage-structure. But earlier in 1948, by an amendment to the Bombay Industrial Relations Act (1946), the then provincial government had provided for the setting up on statutory Wage Boards. The Second Plan also considered the Wage Board "a more acceptable

machinery for settling wage disputes," a machinery "which gives the parties themselves a more responsible role in reaching decision." The fifteenth Indian Labour Conference (1957) accepted the principle of appointing industry-wise Wage Boards.

The first Wage Board was set up on 30th March, 1957 for the cotton textile industry, with a Chairman, 2 independent members, 2 members representing employers and 2 labour. This has been the normal composition since then except that, at times, workers' and employers' representatives have been 3 instead of 2 each. One independent member is generally an economist and the other one was generally an M.P. who is supposed to represent the consumers' interest. The employers' and workers' representatives are nominated by the organisations of the two interests which are prominent in the concerned industry, others are nominated by the Government.

So far 24 Wage Boards covering most of the major industries have been set up by the centre ; cotton textiles, cement, sugar (twice each), jute, tea, coffee and rubber plantations, iron and steel, iron ore, coal mining, ports and docks, engineering, heavy chemicals & fertilizers, electricity undertakings, road transportation, newspapers etc. are among the industries covered. Barring the Working Journalists (Conditions & Service) and Miscellaneous Provisions Act, 1955, no Central Act contains any provision for setting up Wage Boards. These are set up by a resolution of the government only, as we have seen. Under the Bombay Industrial Relations Act, the Maharashtra and Gujarat Governments can set up statutory Wage Boards. The former has set up Wage Boards for cotton textile, silk and sugar industries and the latter— cotton textile and silk industries. These are standing or permanent Boards with power to review and modify their own orders. The decision of these Boards are judicial and appealable but no appeal can be made to the Industrial Court against the unanimous decision of such a Wage Board. The non-statutory Wage Board's awards are not enforceable in an ordinary Court of Law—except in the U.P., where under section 3 of the Uttar Pradesh Industrial Disputes Act, 1947 the recommendations made by some Wage Board can be legally enforced. Such ad hoc non-statutory Wage Boards have also been set up by the Kerala Government (on plantations), by the Bihar Government (on the engineering industry) and by Delhi Administration (on hotel industry). The Jammu and Kashmir Government also set up a tripartite Wage Committee in 1972.

On Government's acceptance of a Central Wage Board's recommendations, these are notified for general acceptance, and persuasion is relied on for their implementation. On non-implementation by an industry, an industrial dispute can be raised, and eventually a reference can be made to a tribunal. The government has always accepted the unanimous recommendations, at times majority recommendations, and have only rarely modified any recommendation. Discussions

with the parties precede government decisions. Those industries which have or had a regulated price structure (cement, iron and steel, coal etc.) generally ask for price increases being allowed by the government before they can implement Wage Board recommendations.

Terms of reference : These are generally in conformity with the terms of reference of the first Wage Board, viz. (a) to determine which categories of employees are to be covered (manual, clerical, supervisory etc., but generally the definition of 'Workman' in the Industrial Disputes Act is followed); (b) to work out a wage structure based on the principles of fair wages as formulated by the Committee on Fair Wages ; (c) the needs of the industry in a developing economy ; (d) the system of payment by results ; (e) the special characteristics of the industry in different regions and areas including the working hours in an industry. The Wage Boards being set up by the government naturally work within the broad framework of the government's economic and social policy.

Procedure and Methodology : Generally, the questionnaire method is used and protracted public hearings are held. No work study or job evaluation or any of the scientific methods accepted in western countries are resorted to. Generally, the Wage Boards determine the minimum wage for an unskilled worker and then build upon it a structure of differentials. The average capacity to pay of the industry as a whole is taken into account and not that of individual units, nor of the weaker units. The capacity to pay would generally be related to the profitability of an industry and its future prospects. The prevailing rates of wages, the place of the industry in the economy, the development needs of the industry, the growth of national income and the level of productivity, are also taken into account in varying degrees.

An assessment of Wage Board Method : The system is almost peculiar to India—the only analogies are with Wage Councils of the U.K. (where the Labour Minister passes a Wage Regulation Order) and with the Australian Conciliation Committees, Wage Boards and Industrial Boards on an industry-wise basis which are set up by the different states of Australia. These are standing Boards—their decisions can be appealed against to courts.

The Main Criticism : (1) Delays caused by extremely dilatory procedure (public hearings etc.), e.g., the Rubber Wage Board took 5 years 1 month, the Tea Wage Board 5 years 6 months, the Coal Mining Wage Board 4 years 7 months. So a series of interim awards become inevitable and cause distortions or preempt decisions ; (2) no definite linkage between higher wages and productivity has been established ; (3) these have not introduced any scientific elements into the wage structure. Horse-trading has been at times the deciding factor ; (4) the operations of the Wage Boards have certainly narrowed down the area of collective bargaining

in the country while the anomalies created by many 'unscientific' awards have been a prolific source of industrial disputes.

Merits : (1) Standardization of wages over a wide area has taken place ; (2) involvement of workers' and employers' representatives in the process was a step in the right direction.

N. C. L. (National Labour Commission) Recommendations

(1) Independent Members are not needed but they can be, particularly economists, appointed as assessors ; (2) the Wage Board procedure should be a kind of collective bargaining ; (3) the Chairman's appointment should be agreed to by both the parties preferably, so that he can arbitrate if necessary ; (4) unanimous recommendations should be made statutorily binding ; (5) Wage Boards should finish their works within a year; (6) A permanent Secretariate in Labour Ministry producing standard questionnaires, collecting data etc., should be set up (this has been done); (7) awards should be operative for 5 years generally.

Now the tendency is to have industry-wide bipartite agreements (e.g., iron and steel, 1970 coal, 1973). Recently, a Committee of Experts was set up for the revision for the wages of port and dock workers. It is an experiment which may produce more objective findings. The Committee submitted its report in January, 1977.

THE NEW BIPARTITE NEGOTIATION COMMITTEES

Productivity Bargaining—A Suggestion

In a key-note address in a seminar sponsored by Jamshedpur Productivity Council (February 1976), Sri Ramanujam, General Secretary of the INTUC, made the following observations :—

"We had set up Wage Boards for many industries in the past. Some of the industries had even a second Wage Board. I myself have experience of many of them. These Wage Boards take unduly long time and finally when it is already late to submit their report, they begin horse-trading and the increases recommended by them again represented ad hoc arrangements. Beyond a paragraph or two full of platitudes and jargons on productivity, this important aspect has not received any attention at the hands of most of these Wage Boards. Although we have now given up the tripartite Wage Boards (except in the case of newspaper industry where there is statutory provision for setting up Wage Boards) and have resorted to bipartite joint committees, I still think their orientation and emphasis need change. We must now have Productivity Boards for each of the major industries. Instead of wage-negotiating bipartite committees, we should start on productivity bargaining,

so that the main emphasis is on productivity and any increase in earnings is a consequential process as securing a legitimate share in the gains of increased productivity. I am happy to find that some of the Bipartite Negotiating Committees set up in recent years have started productivity bargaining also."

So far at the national level only three such Bipartite Negotiating Committees have been set up, for iron and steel, coal and cement industries.

Productivity bargaining has hardly started in India. It is not mere bipartite negotiation on targets of higher production and deciding how the gains of productivity are to be shared as between management and labour. Productivity bargaining is a fairly recent phenomenon. The most notable example which has set the pattern for such bargaining is the agreement that was negotiated between Esso Petroleum and its workers at its Fawley Refinery in the U.K.

Such bargaining has the following features—

(1) It is a company-wide or plant-wide bargaining rather than industry-wide bargaining.

(2) It involves the entire process of management as it generally commences with the management's desire to remove all unproductive or inefficient methods and practices for achieving operational efficiency.

(3) Detailed discussions with all levels of management precede such discussion with the union and even key-workers.

(4) What emerges is a written collective agreement which enforced jointly by management and the trade union.

(5) Workers are induced to accept the more efficient but generally harder working practices by being assured on considerable improvement in wages, at times by increasing the working hours etc.

(6) Unlike incentive schemes which are linked to an acceptable standard of production, productivity bargaining integrates higher wages and other benefits with more efficient working methods, to bring about, at times, significant structural changes in the organisation.

Wage Councils in the U.K.—A Comparison :

We have already mentioned the Wage Councils of the U.K. To some extent the setting up and functioning of the Wage Boards in India have been influenced by the operations of Wage Councils in the U.K. Wage Councils there are statutory bodies set up under the Agricultural Wages Act 1948 and Wage Councils Act 1959. These bodies consist of representatives of employers and workers together with one or more independent persons who settle terms relating to pay, holidays and pay in

agriculture and industries. In the case of industries, The Wage Councils only make recommendations (like most of our Wage Boards) which the Minister of Labour has discretion to accept or not. If he accepts the recommendations he makes them legally binding by issuing a Wage Order embodying them. Thereafter, the parties cannot negotiate any terms less favourable than those contained in the Order. An employer can be sued for underpayment of Wages for a period up to six years. In addition, criminal proceedings may also be brought against a defaulting employer.

The Beginnings of Bonus in India :

It was during the First World War that the practice of paying "War bonus" started for the first time in the cotton textile industry in Bombay and Ahmedabad. In July 1917 an increase of 10 per cent in wages was granted to textile workers in Bombay to enable them to meet the rise in prices. A circular issued by the Bombay Mill-owners' Association in January, 1918 announced that the war bonus of 10 percent would be raised to 15 per cent with effect from January 1, 1918. At the end of 1918 a strike was called at the Century Mill, which soon spread throughout the industry. The dispute was eventually settled, the employers agreeing to raise the war bonus from 15 per cent to 35 per cent. The amount was then termed as a "special allowance" on account of the high price of foodstuffs.

It may be noticed that these payments were, in fact, not bonus at all in the sense it is understood today but what is now called 'dearness allowance' to compensate workers for the rise in the cost of living.

On December 1, 1919, the employers sanctioned payment of a "Bonus" to all operatives who were on the muster roll on December 31, 1919 at rates varying according to the length of service. However, a strike was called on January 2, 1920, in support of certain demands, one of which said that while the mill-hands were grateful to the employers for the bonus promised, they would request that for certain workers more liberal terms might be granted. The Bombay Labour Settlement Committee, a committee of the millowners, replied to the demand thus : "The Committee can make no definite announcements as regards the 'annual bonuses.' The question is one of profits and goodwill and no undertaking can be given." Nevertheless, on October 20, 1920, the committee of the millowners decided to recommend payment of a bonus of one month's pay on the same scale as in the previous years. Bonus on similar terms was recommended in November, 1921 and again in November, 1922.

The bonus declared in the four year 1919-1922, were presumably profit bonuses as the millowners had indicated in their notices of January 24, 1920, that the question was "one of profits and goodwill". But the position was at best vague as

the millowners had indicated in their reply of January 27, 1921 that in fact an annual bonus of one months' pay had been paid "whether the mill did well or not".

The millowners announced on July 23, 1923, that owing to bad trade they would be unable to pay bonus for 1923. This led to a general strike towards the end of January, 1924. On February 22, 1924, the government of Bombay appointed the Bonus Disputes Committee presided over by Sir Norman McLeod, Chief Justice of Bombay. The Committee was asked (1) to consider the nature and basis of bonus which had been granted to the employees in the cotton textile mills of Bombay since 1919 and to declare whether the employees had established any enforceable claim, customary, legal or equitable ; and (2) to inquire in-to the profits made in each year since 1917 with a view to comparing these profits with the profits made in the year 1923 and to report on the contention of the millowners that the grant of bonus similar to that paid in previous years was not justified by the profits of the mill industry as a whole in 1923.

The workers' case before the Committee was that as the increase in wages allowed from the year 1917 owing to war conditions had been called "war bonus", and as annual bonuses had been paid for five consecutive years, the mill workers had come to look upon the annual bonus as part of their wages and that, therefore, they had a just claim against the millowners.

The Committee, however, came to the conclusion that the mill workers had not established any enforceable claim, customary, legal or equitable, to the payment annually of a bonus and that such a claim would not be upheld in a court of law. The Committee also found that the total profits before allowing depreciation amounted to Rs. 53 lakhs or Rs. 119 lakhs if the income tax on the profits for the year 1923 only was debited, that the required depreciation amounted to Rs. 170 lakhs, and that the result of the working of the cotton textile industry as a whole showed that there was justification for the contention of the millowners that the profits did not admit of payment of bonus.

The Committee's first conclusion naturally tended to support the dictionary meaning of bonus, namely, that it was "a boon or gift over and above what is nominally due as remuneration to the receiver" (New English Dictionary), or a "gratuity to workmen beyond their wages" (Concise Oxford Dictionary) or again "payments made of grace and as of right" (Earl of Brikenhead in *Sutton V. Attorney-General*). The second conclusion suggested that such as *ex gratia* payment could not be expected when there were surplus profits remaining after meeting prior charges.

The Committee, nevertheless, threw out a hint as to the manner of meeting such claims—a method which was eventually to take bonus out of the category of *ex gratia*

payment. It said : "...it is question of bargaining between the workers and the employers in which consideration might be given to principles of equity. It is not a question of determining what is the contract between the parties."

In 1921 a dispute about bonus arose in the cotton textile industry in Ahmedabad. Pandit Madan Mohan Malaviya, who mediated in it, observed : "When a mill has made handsome profits, the workers who have by their faithful co-operation enabled the mill to earn such profits should, as an ordinary rule, be given at the end of each year a bonus equal to one month's salary. When the profits have been extraordinarily handsome, millowners might very properly and wisely give a larger bonus to the workmen."

The late twenties and the early thirties were of depression and consequently, there were no major bonus disputes during that period. Even so, bonuses continued to be given on ad hoc basis in a few industrial undertakings.

Bonus During and Immediately After the Second World War :

Two developments which arose in the early stages of the Second World War served as the justification for the renewed spate of bonus demands made by workers practically in every industry. The first was the accrual of large profits to industries as a result of the war-time demand. The second, and chronologically later, development was the steady and substantial rise in the prices of essential consumer goods. As industrial disputes increased in number and threatened to affect the regular working of factories, the government of India introduced the system of compulsory adjudication of disputes under Rule 81-A of the Defence of India Rules.

Workers in the cotton textile industry in Bombay have often taken the lead in extracting concessions for employers. In March, 1940 there was a general strike in the textile mills in Bombay on the question of dearness allowance. The government of Bombay, watching the progress of the dispute, felt that one of the causes of industrial unrest was the desire of workers a cash bonus for the calendar year 1941 equivalent to 17 1/2 per cent of their actual earnings exclusive of dearness allowance. Similarly for 1942, a bonus equivalent to one-sixth of the total earnings exclusive of dearness allowance was granted. Such annual payments continued till 1945.

Various other bonus disputes had necessarily to be referred to tribunals or courts for adjudication. Adjudicators, grouping for enlightenment without precedent or principles and lacking guidance from appellate or revisional courts, formulated their own ideas of social, legal or normal justice for granting or denying bonus claims.

Several adjudicators of the early period held that in the absence of a contract, express or implied, workers were not entitled to claim bonus as a matter of right and

that in the absence of proof of excessive profits, it was not possible to allow bonus as an exgratia payment.

But there were others who were, by no means, certain of bonus being only an exgratia payment. This was a period of weaving and indecision of doubt whether bonus was only a gift, or whether it could amount to right.

Some adjudications, not wishing to go quite so far as to decide that bonus could be claimed as a matter of 'right', met workers' claims half way by granting a limited amount of bonus on broad principles of equity, justice and good conscience. In one of the earlier cases, the adjudicator said that it was expedient from the point of view of the employers themselves that the workers in the industries essential for the due prosecution of the war should be kept contented and happy, and that if some concerns like that Standard Vacuum Oil Company and Caltex (India) Limited were making large profits, "it seems but fair to me that an infinitesimal fraction of these profits may well be given by, way of bonus, to the workers in these companies, without whose labour and co-operation these unusually large profits could not have been made available to these companies." On these considerations he awarded one month's wage as bonus.

In United Provinces Sugar Co., their employees, it was held that bonus as a share of profits could not be claimed as a matter of right every year, but that if a concern have had an unusually profitable year, some part of the extra profits should be distributed "as an award and encouragement to workers".

On this basis several adjudicators awarded one-twelfth or one-eighth of the total annual earnings as bonus.

Bonus as a Matter of Right :

Judicial decision was, however, not slow to come up to workers' expectations, probably because wages were still very low in those days and profits invariably very high. As early as in 1942 Justice Chagla, adjudicating on a dispute between the General Motors (India) Limited and its workmen, said : "It is almost a universally accepted principle now that the profits are made possible by the contribution that both capital and labour make in any particular industry and I think it is also conceded that labour has a right to share in the increased profits that are made in any particular period. But the distribution of increased profits amongst workers is better achieved by the giving of an annual bonus than by a further increase in wages. Wages must be fixed on the basis of normal conditions." The adjudicator was obviously anticipating future trends, and perhaps influencing them, when he observed that it was also "conceded" that labour had a 'right' to share in the increased profits.

These observations, which pleaded powerfully for recognition of labour's right to profit sharing, were quoted with approval in a large number of adjudications of that period.

By the end of the Second World War the view that labour was entitled to a share in profits as a matter of right seems to have got more or less well-established. Adjudicators were only searching for the right words to uphold labour's right to bonus.

In a dispute between the Textile Labour Association, Ahmedabad, and the Ahmedabad Mill Owners' Association, the Industrial Court, Bombay, said that although bonus was an exgratia payment and could not be legally demanded, bonus was in the nature of a reward. It was a reward "for work already done by them, which has resulted in such high profits". The Court went on to say : "Such additional payment is not a pure gift because a gift may have no relation to any work done or to be done by the dence, but it is a reward inasmuch as it is asked for as an extra payment for work actually done". Though such a claim could not be enforced in a court of law, it could become the subject matter of an industrial dispute. Here the Court was trying to justify bonus more as an extra remuneration or wage payment than as profit-sharing.

In the Lahore Electric Supply Company's case, the adjudicator had no difficulty in justifying bonus as profit-sharing. Though bonus was not a legal right which could be enforced in a court of law, "the advancement of economic thought and industrial relations had led to a state of affairs where the workers claim for a share in the profits of industry may be legitimate and may have a certain normal and economic right".

In *Indian Hume Pipe Co. Ltd., V. E. M. Nanavutty*, the Bombay High Court ruled that payment of bonus could be demanded by workmen "as of right, that is to say as a payment which should be made by the employer as extra remuneration for work done by the employees under a contract, express or implied".

In a dispute between 36 cotton mills in West Bengal and their employees, the Industrial Tribunal said that when bonus was demanded for work done out of which the employers had made high profits "the demand is not for any payment gratis, but the price of labour". It added : "...the demand of bonus though not based on legal right raising out of contract, expressed or implied, has to be decided on broad principles of equity and justice".

It will be seen from the cases mentioned above that adjudicators of this period—war and early post-war—were wavering between treating bonus as extra remuneration for work done and viewing it as sharing in the profits jointly created by labour and management. But all were agreed on one point, namely, that a claim to bonus, while not enforceable in a civil court, could be adjudicated upon as a matter of right.

It was the Industrial Court, Bombay, which, in a series of cases, shaped the concept of bonus as we understand it today. In a dispute decided in 1947 between the Rashtriya Mill Majdoor Sangh and the Millowners' Association, Bombay, the Court observed : "the justification for such demands as 'industrial matter' arises especially when wages fall short of the living wage standard and the industry makes huge profits part of which are due to contribution which the workers made in increasing production. The demand for a bonus is, therefore, an industrial claim when either or both these conditions are satisfied."

In a dispute between the same parties realting to 1948 and decided in 1949, the Industrial Court, Bombay, reiterated the vies it had expressed in 1947. As this case and the one relating to the bonus demand in the next year were the cases from which the Labour Appellate Tribunal evolved the 'Full Bench Formula' later on, we might notice the Court's observation at some length. The Court said : "Such a demand (for bonus) derives its strength, where the living wage standard has not been reached, for a feeling of deficiency in a means to attend the necessary standard of living. Therefore, bonus in such circumstances no doubt serves as a temporary satisfaction, wholly or in part, of his need. Theoretically, adequate wages and dearness allowance should be the first charge on an industry. ...Labour as well as the working capital employed in the industry both contribute to the profits made and both are, therefore, entitled to claim a legitimate return out of the profit; and such legitimate return, so far as labour is concerned, must be based on the living wage standard. It is however, to be remembered that a claim to bonus might be admissible even if the living wage standard were completely attained. It may, therefore, be stated that so long as the living wage standard has not been attained, the bonus partakes primarily of the character of the satisfaction, often partial and temporary, of the deficiency in the legitimate income of the average worker in an industry, and that once such income has been attained, it would also partake of the character of the profit-sharing. Owing to this dual character of bonus, it would be a mistake to regard a demand for bonus as a demand for profit-sharing pure and simple. Even if it be held, as the Committee on profit-sharing have held, that profit-sharing on a fifty-fifty basis would be equitable, it would be proper in our opinion, when the living wage standard has not been reached for labour to demand even a greater share after the gross profits have been reduced by depreciation, reasonable reserves, and dividend and suitable provision for taxation."

Payment of Bonus :

This profit-sharing concept also resulted in a bonus being paid at the end of the year to the employees. Good companies began to pay upto three months' pay as bonus to their employees even in years which did not justify such a high bonus

payment. This led to a belief in the mind of the worker that the employers were holding back a part of their wage and paying it at the end of the year under title "bonus" as if it were an exgratia payment. Thus bonus began to be looked upon as a "deferred wage". This concept unfortunately was practically legalised by the payment of Bonus Act, 1965.

The Payment of Bonus Act, 1965 :

This Act came into operation on May 29, 1965, replacing an ordinance, which came into force on September 25, 1965. It provides for payment by the employer to every employee in an accounting year of a minimum bonus of 4% (later increased to 8¹/₃% per cent or Rs. 80 whichever is higher) for the accounting year commencing in 1971 by the payment of Bonus (Amendment Act, 1972) of the salary or wages earned by the employee during the accounting year or forty rupees (Rs. 25 in case of employees under 15 years of age) whichever is higher, irrespective of whether there are profits in the accounting year or not (S. 10). Thus, this provision is a deviation from the well recognized principle that bonus is payable only out of the profits.

The Act provides for calculation of available surplus as the gross profits after deducting certain sums such as depreciation and development rebate or allowance admissible under the Income-tax Act and other items (Sections 5 and 6 and Schedules). Where such surplus exceeds the minimum bonus payable, the employer is required to pay such surplus, in lieu of such minimum bonus, in proportion to the salary or wages of the employee subject to a minimum of 20 per cent of such salary or wage (S. 11). In case of an employee whose salary or wage exceeds Rs. 750 per month, the bonus is to be calculated as if his salary or wages were Rs. 75 per month (S. 12). The excess of allocable surplus not distributed is to be carried forward for being set on upto the fourth succeeding accounting year (S. 15).

This Act applies to (a) every factory as defined in the Factories Act, 1948 and (b) every other establishment in which 20 or more persons are employed on any day during an accounting year. Subsequent reduction to less than 20 employees will not make the Act inapplicable (S. 1). The word "establishment" is a far wider term than factory.

The 'Bonus Commission's Report' explains the concept of bonus as "sharing by the workers in the prosperity of the concern in which they are employed". They further contended that "in the case of low paid workers such sharing in prosperity augments their earnings and so helps to bridge the gap between the actual wage and the need-based wage". A properly conceived bonus system linked to profit does provide a measure of desirable flexibility to the wage structure.

The Act however does not apply to certain classes of employees, e.g., employees of the Life Insurance Corporation of India, insurer carrying on general insurance business, seamen under the Merchant Shipping Act, 1958, the Indian Red Cross Society, universities and other educational institutions as well as institutions not established for the purpose of profit (S. 32).

NATIONAL WAGE POLICY

1. What is a Wage Policy ?

The I.L.O. defines the term "Wage policy" to mean "legislation or government action calculated to affect the level or structure of wages, or both, for the purpose of attaining specific objectives of social and economic policy". The objectives here referred to are those relating to national interests and not to sectional interests. Workers and employers have their own legitimate sectional interests to sustain and safeguard-interests which need not necessarily coincide with national interests as a whole as interpreted by those responsible for the governance of the country for the time being. While sectional interests tend to pull in their different directions, it should be the aim of a national policy to advance the interests of the country as a whole. A national policy is, in effect, an essay in balancing sectional interests and in reconciling them with national interests to the greatest extent possible.

A wage policy seeks to influence the level of structure of wages or both. This it can do either by formulating broad guidelines for the fixation or revision of wages in the economy generally or by laying down a detailed scheme for the regulation of wages in individual industries or in the economy as a whole in terms of precisely formulated norms and standards. Detailed regulation involves decisions on a wide variety of subjects, such as the restrictions on consumption required to provide for a desired level of saving and investment, the average annual rate of increase in the general wage level sustainable, the range and structure of different kind of wage differentials, the method or system of payment, etc. A wage policy aims at imposing a discipline on all wage payments in the economy so that excessive, inadequate, or inappropriate wage payments may not come in the way of the fulfilment of the objectives, economic and social, which the country has set for itself in pursuit of steady national development.

2. Wage Policy in the Five Year Plans :

Since wage policy is one of several policies contributing to planned development, it should find the most authoritative expression in the Five Year Plans, where each policy is presumed to be set in relation to all others so that maximum coordination for the purpose of national development might be achieved.

Of the eight Five Year Plans that have so far been completed, the First Plan which, more than any of the others, tried to evolve, though not implement, sound principles in regard to wages. The First Plan based its approach to labour problems "on considerations which are related on the one hand to the requirements of the well-being of the working class and on the other to its vital contribution to the economic stability and progress of the country." The Plan clarified that the rate of progress in workers' welfare had to be determined "not only by the needs of the workers but also by the limitations of the country's resources." The attitude of unions towards question of wages had, therefore, to be adjusted to the requirements of economic development in keeping with considerations of social justice.

The Plan then referred to the inflationary pressures that had arisen in the economy as a result of the conditions prevailing during the war and in the post-war period. These pressures had led to greatly increased profits and to substantial increases in wages. Even so, the rise in prices had come in the way of greater improvement in the economic condition of workers and slowed down renovation and modernization of plant. If the inflationary pressure was to be checked, steps would have to be taken to divert saving some of the present expenditure on consumption and to increase production. Both profits and wages would have to be subjected to some control by the Government.

"On the side of wages, any upward movement, at this juncture, will further jeopardize the economic stability of the country if it is reflected in costs of production and consequently raises the price of the product. For workers too, such gains will prove illusory because in all likelihood they will soon be cancelled by a rise in the general price level, and in the long run the volume of employment may be adversely affected."

Because of the adverse effect of inflation on the real content of wage increases, the plan laid emphasis on rising productivity as the basis of progress, ".....in an undeveloped economy, it (labour) cannot build for itself and the community a better life except on the foundations of a higher level of productivity to which it has itself made a substantial condition..... The whole economic health of the country depends upon rapidly increasing the productivity of labour."

Though the Plan discouraged, in general, wage increases unrelated to productivity, it nevertheless permitted wage increases (1) to remove anomalies or where the existing rate were abnormally low and (2) to restore the pre-war level of real wages as a first step towards the living wage through increased productivity.

The Plan recognized that though certain broad principles which could help in the regulation of wages had emerged as a result of the labours of various commissions and committees and had been embodied in existing or proposed legislation "they

still do not form an adequate practical basis for a uniform policy in determining wage rates and effecting wages adjustments".

In view of this conclusion, the Plan suggested that the tripartite machinery visualized in the section on industrial relations should evolve in as precise terms as practicable the 'norms' and standards which should guide wage boards or tribunals in settling questions relating to wages, having regard to the claims of the various groups of workers, inter se, of the other participants in industry and of the community as a whole.

The Plan then indulged in some broad-perhaps vague-generalizations, incapable of being translated into precise implementation : (a) all wage adjustments should conform to the broad principles of social policy and disparities of income have to be reduced to the utmost. The worker must obtain his due share in the national income ; (b) the claims of labour should be dealt with liberally in proportion to the distance which the wages of different categories of workers have to cover before attaining the living wage standard ; (c) the process of standardization of wages should be accelerated. There should be a progressive narrowing down of disparities in the rates of remuneration of different classes of workers in the same unit, of workers engaged in similar occupations in different units of the same industry of comparable occupations in different industries and in wages in the same industry in different centres ; (d) a scientific assessment of the relative workload in different occupations and industries should be taken up as also pilot studies on payment by results and (e) 50 per cent of the dearness allowance of Government servants drawing a basic pay up to Rs. 750 per month would be amalgamated with pay, and this recommendation should be extended to workers in the private sector.

It may be noted that though the plan diagnosed the requirements of the economy correctly and gave the correct lead in regard to claims for higher wages, it did not deal with many matters crucial to a consideration of the level or structure of wages. For instance, there was no discussion of the level of industrial wages in relation to subsistence incomes in agriculture, of the merits of a high wage or low-wage policy in industry of the "room" for increase in consumption and hence in wages, of the problem of high wages islands, of the widening or narrowing of skill differentials in recent years, and so on.

The Second Five Year Plan excused itself of the responsibility for the drawing up of a detailed wage policy by observing : "Much of what has been said in regard to labour policy in the First Five Year Plan holds good as a basis for the future". Its pre-occupation was principally with the newly discovered panacea of the "Socialist

Pattern of Society"—a slogan which immediately raised the expectations of labour to new and soaring heights. The Plan observed that though what had been said in the First Plan still held good, in the light of the socialist pattern of society which provided the setting for the Second Plan, "suitable alterations in labour policy require to be made". One such alternation was the creation of industrial democracy as a pre-requisite to the establishment of a socialist society. Another was the need to evolve a wage policy which aimed at a structure with rising real wages. Though the Plan did not spell out how this was to be done, it observed : "Improvement in wages can result mainly from increased productivity". It added : "Another step in this direction is the introduction of payment by results". If the object of the Plan was to raise real wages by raising productivity, this could have been stated more explicitly. On the other hand, to compound the confusion, the plan referred to two more aspects which required to be examined further. "The first concerns the laying down of principles to bring wages into conformity with the expectations of the working class in the future pattern of society." This laid too much emphasis on the workers' right without qualifying them with corresponding responsibilities.

The Second Plan did little to carry wage policy planning any further than the First, while it undoubtedly whetted the appetite of the working classes for a greater share in the national product.

The Third Five Year Plan provided no greater clarity than the Second in regard to the development of wage policy. It said : "Labour policy in India has been evolving in response to the specific needs of the situation in relation to industry and the working class and has to suit the requirements of a planned economy." It did not say whether the process of evolution of policy had been satisfactory or whether any positive direction could, with advantage, be imparted to it. The Plan, however, emphasized that the measures adopted "must serve adequately the immediate and longterm ends of planned economic development" and that economic progress had to be rapid.

Reference to the working of the Minimum Wages Act, the functioning of wage boards, the need to reexamine the nutritional requirements of a working class family, and the setting up of a commission to examine the problem of bonus followed, though with little precise guidance in regard to the level of structure of wages.

The Third Plan too paid lip service to the cause of productivity. "For the workers no real advance in their standard of living is possible without a steady increase in productivity, because any increase in wages generally, beyond certain narrow limits, would otherwise be nullified by a rise in prices." But the way to rising productivity indicated in the Plan was too good to be true. Says The Plan : "The term

(rationalization) has often been wrongly associated with increase in workloads and added strain on workers in order to swell the volume of private gains. Large gains in productivity and an appreciable reduction in unit costs can be secured in many cases without causing any detriment to the health of the workers and without incurring any large outlays." The way to achieving these desirable goals was clear to the planners : 'Greater responsibility in this respect rests on the management which should provide the most efficient equipment, correct conditions and methods of work, adequate training and suitable psychological and material incentives, for the workers.' The only missing link here was how the management could achieve the feat of providing the most efficient equipment, correct conditions and methods of work, adequate training and suitable material incentives "without incurring any large outlays". One should have thought that each one of these items would call for additional outlays.

The Fourth Five Year Plan, 1969-74, made virtually no mention of wage problems or wage policy. The earlier Draft Outline of 1966 had referred to the fact that labour policy had till then given protection to those engaged in organized industries and stated that in the coming years labour policy and programmes had to be broadened steadily to provide for agricultural labour as well as various groups of unorganized workers.

The Draft Outline stated that price stability was basic to wage policy—a recognition that came none too soon. It suggested although there were obvious difficulties, it was essential for the success of planned development that an integrate incomes policy should be evolved for the guidance of both the public and private sectors.

The Draft of the Fifth Five Year Plan hardly makes any mention of wage policy. It says, however, as follows : "But to the extent such improvement (in the share of wages in total value added) takes place at the expense of capital formation, distribution of incomes will tend to worsen through prevention of additional employment that may have been otherwise created. Improvement of wage share in the organized sector in an economy with a substantial amount of unemployment, open or disguised, is an unambiguous improvement only if the rate of growth of output is kept up at a high enough rate..... Increases in wages should be closely correlated with increase in productivity."

From this brief mention of the contents of the various Five Year Plans in regard to wage policy, it is clear that though various elements of such a policy received attention at different times, there was no conscious effort at evolving a cogent and consistent wage policy suited to the requirements of a developing economy.

Leave Conditions : Holidays and Leave with Pay :

The value of holidays in maintaining and increasing industrial efficiency as well as in improving the employer-worker relations cannot be over-emphasized. The high rate of absenteeism and the large percentage of labour turnover, which are characteristics of most of the Indian industries, are in a large measure attributable to the absence of an adequate provision for holidays and leave. The Bihar Labour Enquiry Committee aptly remarked : "Tropical climate, poor diet and physique of the workers and insanitary and unattractive conditions in which they live, combine to make holidays with pay even more necessary in India than in the West. As the vast majority of workers are drawn from the villages, with which they maintain the closest connection, and would, therefore, probably spend the holidays there, there will not only be benefit to their health, but also a feeling of happiness from an annual sojourn, however, brief." The Royal Commission recommended that the employers should recognise the need and value of holidays and should actually encourage workers to apply for definite periods of leave with a promise that on return they would be able to resume their old work, and that even leave without pay or allowance might be a great advance on the present system. The Bombay Textile Labour Enquiry Committee and the Kanpur Labour Enquiry Committee also emphasized the value of holidays with pay. Dr. R. K. Mukherjee also pleads for rationalisation of the system of holidays and leave, after pointing out its great importance for the industrial workers.

Thus, for regulating the migratory character of the industrial workers, to remove some of the evils of the present system of recruitment, for reducing absenteeism and labour turnover, and for improving the efficiency of the industrial workers and their relations with employers, the importance of holidays and leave is very great indeed. Besides, it has to be recognised that the workers are human beings, and not merely an instrument of production. No human being, in any walk of life, can continue working year after year without intermission. There are many occasions in the life of a person, like sickness, urgent family matters, social ceremonies, etc. when he finds himself unable to attend to his work and must be granted leave. Thus, the movement for holidays and leave with pay has gathered momentum, and many industrial countries have granted them either by legislation or by collective agreements.

Holidays and Leave in Indian Industries :

In India the value of such holidays has not yet been fully realized, though holidays and leave are granted in many industries. The system, however, differs from industry to industry and makes any generalisation difficult. Holidays with pay are granted

only to the permanent workers and clerical and supervisory staff. The daily-rated, piece-rated or temporary workers are generally not given any holiday with pay. Sunday is generally a holiday in most concerns while holidays are also granted on festivals. A few concerns also grant casual or privilege leave to the workers, but the provisions in this respect are not very satisfactory. Mills in South India are, however, liberal in granting holidays with pay upto 10 or 15 days in a year. In Nagpur, in the Empress Mill, the workers who have put in 20 years' service, are entitled to 12 days' leave with pay. In jute industry, since 1943, 7 holidays with pay are granted to all workers. Most of the concerns in chemical industry in Bengal allow 11 to 24 holidays, besides Sundays, with pay in most cases. Cotton textile mills in Bombay also grant leave with pay to certain categories of their workers. Workers in engineering industry also get leave with pay in most cases. In Madras, permanent workers are entitled to 21 days' privilege leave. Railways also grant casual leave to their workers. The Tata Iron and Steel Company gives a month's leave with pay, for every year's service, to its monthly rated employees and 14 days' with pay in a year to its daily-rated but monthly paid employees, but no leave is granted to weekly paid workers. In gold mines, underground workers get 21 days' privilege leave and surface workers 14 days' leave with pay. In the mineral oil industry, daily-rated workers are entitled to 14 days' leave with pay and 28 days' leave without pay. In Punjab, 15 days' leave with pay is granted to monthly rated workers, besides 6 religious holidays with pay. In other concerns and places also some provision for holidays and leave exists but there is no regular system of granting holidays with or without pay. Different concerns grant leave according to their own convenience and have made different categories of workers for the purpose. Many employers permit absence on leave without pay to the extent of 30 days. Workers are also allowed sick leave with or without pay at the managements' discretion on the production of a medical certificate. The number of festival holidays also differs from region to region.

Legislation regarding Holidays and leave :

Some statutory provision for granting leave and holidays also exists in the country. In 1936, the International Labour Conference adopted the Holidays with Pay Convention. This Convention was not ratified by the government of India, who in 1937, announced that it was impracticable to extend the provisions to all establishments mentioned in the Convention. However, the Factories Acts provided for a weekly holiday in all factories covered by the Acts. The Central government also passed a Weekly Holidays Act, in 1942, which provides for a weekly closure of shops and for a weekly holiday to shop employees. The Act is only permissive

in character and only seven state governments notified its application to their States, i.e., Ajmer, Bihar, Coorg, Orissa, Rajasthan, Vindhya Pradesh and Mysore. In Bihar, in February 1954, a separate Act was also passed. Many other State Governments and State Unions undertook separate legislation for shop and commercial undertaking employees, which are provided for holidays and leave for the workers. Such Acts were in force in 25 States before the reorganisation of the States. Now Shops and Commercial Establishments Acts are in force in all the States namely, Andhra (Hyderabad), Assam, Bihar, Bombay, Kerala, Madhya Pradesh, Madras, Mysore, Orissa, Punjab, Rajasthan, Uttar Pradesh, West Bengal and Delhi. In many States the Acts have been revised, consolidated and amended from time to time. All these State Acts provide for one day's holiday with pay in a week except the Bengal Act, which goes further and provides for paid holidays for 1½ days in a week and Assam Act which provides for one day's holiday in a week for shop employees and 1½ days for others. The Assam, Hyderabad and Madras Acts require only shops to close for one day, and Bombay and Delhi Acts omit hotels, theatres etc. The Acts also make provisions for various other kinds of leave. Privilege leave with full pay, after 12 months' continuous service, which can be accumulated in most States, is granted upto 14 days in Bombay and West Bengal, 16 days in Assam, 12 days in Andhra (Hyderabad), Kerala and Madras. 15 days (30 days for watchmen and caretakers) in U.P., 15 days in Delhi, one month in Madhya Pradesh, 10 days for adults and 12 days for young persons in Mysore, one day for every 20 days work in Bihar, Orissa and Punjab (in Bihar one day for 15 days' work for children) and one day for every 12 days' work in Rajasthan. Casual leave on full pay is granted upto 10 days in Assam, U.P., West Bengal and for adults in Mysore ; 12 days in Madras, Delhi, Kerala and Andhra and for children in Mysore, 14 days in Madhya Pradesh and 7 days in Punjab. Sick leave is granted on production of a medical certificate. It is upto one month on half pay after 12 months' continuous service in Assam, upto 12 days on full pay in Madras, Kerala and Andhra, upto 15 days on full pay, after six months' service, in U.P., 15 days after one year's service in Orissa, and 14 days on half pay in West Bengal. The Assam Act also makes provision for granting 3 holidays for religious purposes, the U.P. Act for granting 3 gazetted holidays with pay, the Andhra Act for granting all gazetted holidays with pay, the Punjab Act for granting 2 National and 4 festival holidays and the Delhi Act for granting 3 National holidays.

Besides, the government also passed the Holidays with Pay Act which was enforced from the 1st January, 1946. It applied only to perennial factories. It laid down that every worker who had completed a period of 12 months' continuous

service in a factory should be allowed during the subsequent period of 12 months, holidays for a period of 10, or, if a child, 14 consecutive days. The holidays could be accumulated for a period of two years. For these holidays payment was to be made at a rate equivalent to the daily average of the workers' wages for the days on which he actually worked during the three preceding months. Half the wages for the holidays were to be paid before the worker proceeded on leave and the balance on his return.

The Factories Act of 1948 now covers the above Act and goes a step further in this matter. According to it, besides weekly holidays, every worker in a factory under the Act, is entitled to leave with wages after 12 months' continuous service at the following rate—adult one day for every 20 days of work, subject to a minimum of 10 days ; children—one day for every 15 days of work, subject to a minimum of 14 days. Thus, the grant of leave has been linked up with the number of working days an employee puts in. As the determination of the period of 12 months' continuous service led to some difficulties, the Act was amended in 1954. Now the qualifying period is 240 days in a calendar year. Any days of lay-off, maternity leave and leave earned in the previous year are to be considered as the days on which the worker worked for this purpose. But the workers are not entitled to leave for such days. A worker commencing service after 1st January is also entitled to above leave if he works for two-thirds of the remaining days in the year. Persons discharged or dismissed from service during the course of the year are entitled to proportionate leave with wages at the rate mentioned above irrespective of the number of days worked by them. The leave is exclusive of all holidays and can be availed of in not more than three instalments in a year.

Similar provisions exist in The Indian Mines Act of 1952. The Act, as amended in 1959, provides that in addition to a weekly day of rest, every person employed in a mine shall be entitled to leave with full wages or pay, after a calendar year's service, (which means 190 days attendance for underground workers and 240 days attendance for others) at the following rate—One day for every 16 days of work, if employed below ground and one day for every 20 days of work in the case of other categories of workers. A worker commencing service after 1st January shall also be entitled to above leave if, for the remaining days of the year he puts in attendance for not less than half of the total number of days if employed below ground and for not less than two-thirds of the total number of days in case of others. Days of lay-off, maternity leave and leave earned in the previous year shall be deemed to be the days on which the worker worked for this purpose. The leave can be accumulated upto 30 days. Wages for leave period shall be paid at a rate equal to daily average earnings during the preceding month exclusive of overtime wages and bonus.

The Plantation Labour Act of 1951 provides that every worker shall be allowed annual leave with wages at the following rate—(a) if an adult, one day for every 20 days of work, and (b) if a child or an adolescent, one day for every 15 days of work. Workers are entitled to accumulate leave upto a maximum of 30 days. The State governments can frame rules to provide for a weekly holiday for workers and payment for work done on the weekly day of rest. The Amendment of 1960 provides that wages for the leave period will be equal to daily wage rate for time rated workers and average wages during the preceding calendar year for others.

Besides, according to the Industrial Employment (Standing Orders) Act of 1946, it has been laid down that every employer has to define and mention clearly, the number of holidays with or without pay, and the provisions, about the grant of leave etc. to the workers.

For sugar factory workers in U.P., from November, 1957, by a notification, the following provisions have been made as regards leave with pay, besides the provisions under the Factories Act : Permanent Workers—Casual leave 6 days and sick leave 10 days in a year. Seasonal Workers—Casual leave 1/2 day for every month of the crushing season, and sick leave also 1/2 day for every month of the crushing season. A period exceeding 15 days in any month is to be counted as full month.

Festival holidays with wages have also been fixed in U.P/ under the Industrial Disputes Act of 1947. In 1950, they were fixed at 17 days in a year. The number was raised to 18 days in 1953. These 18 paid holidays on festivals were extended to sugar factories also in Nov., 1955. In August 1961, the U.P. Industrial Establishments (National Holidays) Act was passed, which provides paid holidays to industrial workers on the Republic Day, Independence Day and Gandhi Jayanti.

Present Position :

In spite of these statutory provisions, the conditions regarding holidays and leave are not very satisfactory. Some improvements are possible in the Acts themselves. For example, the Acts should apply to all factories. The law should also provide for accumulation of leave for a much longer period than two years, say five years. Facilities should also be granted to extend holidays with pay by permitting the workers to take leave without pay for a further period, which may be, say, twice as much as the holidays with pay due. In actual practice it has also been noticed that the provisions of the Acts are not properly enforced or observed. In most concerns, the principle of 'No work, no pay' is observed, and as the Indian worker is poor and has to bear the economic responsibility of a large family, he generally prefers not

to avail himself of any leave without pay except when pressed by necessity. Not only this, he even sometimes wants to work on holidays. The employers in some seasonal and unregulated factories connive at this practice as is clear from the fact that while the attendance registers show workers as absent on a weekly holiday, the wage registers record payment for all the seven days in a week. Leave or holidays are also granted not as a matter of right but as one of favour, and as a result, there is much discrimination and partial treatment and trade union workers in many cases are penalized. In case of sick leave, a medical certificate of the factory medical officer has to be produced, but is not always impartial, and accepts illegal gratification in many cases. Hence, the success of even legal measures depends, to a very large extent, on their actual enforcement, which is possible only for adequate inspection and responsible cooperation on the part of the employers. Infringements of the provisions of the Acts have been detected in many states. The employers must realize the value and importance of holidays and leave with pay, if, they want greater efficiency and contentment among their workers.

Minimum Number of Holidays :

The Sub-Committee on Labour of the National Planning Committee recommended that all industrial employees should be given at least 10 continuous working days (exclusive of public holidays) as paid holidays after 12 months' service. A note by Dr. B. R. Seth disagrees with the number of such holidays. In his opinion, a period of ten days is hardly sufficient to enable the workers to get relief from the monotony of daily toil and recoupment of health, which is the main purpose of the reform. The workers like to spend the holidays at their homes, which are, in many cases, far off from the industrial towns ; and for short periods they may like to incur the expenditure in travelling etc. Hence, the minimum period of holidays with pay should not be less than 12 days after 12 months' service and it should be increased yearly by one day. upto 30 days as maximum, which may be granted after 18 years of service. The holidays may be allowed to be accumulated for at least two years, if not more. In order to avoid inconvenience to the employers, the holidays may be taken in comparatively slack season, and not more than 10% of the employees should be granted these holidays at a time. It is also suggested that the wages for holidays should be paid out of a publicly controlled fund, raised from the employers concerned, who should contribute to it in proportion to the number of workers they engage and their total wage bill. The payment for holidays may be made on return from holidays in order to minimise the evil of labour turnover.

It may be pointed out that the value of holidays with pay has been recognised for agricultural labourers also and the International Labour Conference, at its thirty-

fifth session, held in June, 1952, adopted a Convention to that effect. Holidays with pay in agriculture have been recommended for a minimum period of one week for one year's continuous service, with more holidays for young workers under 18 or 16 years of age. It is hoped that the Convention will be ratified by India and given effect to by the Government.

Mr. V. V. Giri has drawn attention to another aspect of holidays, and that is about the national and festival holidays. They will, no doubt, vary from State to State or even from place to place. But there must be some uniformity as regards the number of holidays allowed in the various industries and units. In some establishments, the number of national and festival holidays is excessive. We should not be tempted to allow ourselves too much leisure and too little work. But at the same time our age-old festivals offer the best form of entertainment and relaxation to people who lead a comparatively dull and drab existence. Hence, there must be a workable compromise between our desire for leisure and our responsibility for production ; and a uniform standard of national and festival holidays should be evolved. This problem is now engaging the attention of the Government and has also been discussed in Labour Conferences.

Terminal Benefits :

Employees leave for many reasons such as dismissal, resignation, redundancy and retirement. A termination tree is given next page to illustrate possible courses of managerial action.

Dismissal : The employer has to take this measure when a member of staff continuously shows that he is unable to perform the job adequately or if there is a flagrant violation of rules or code of conduct or if redundancy develops. Absolute fairness is essential and whenever possible, the reason should be made known to avoid false rumours. Generally speaking, there is no distinction between discharge and dismissal, but many standing orders make a distinction between discharge and dismissal.

The practice of hiring on a probation basis is widely prevalent in India. Discharge of an employee for unsatisfactory work can only take place during his probationary period. Once an employee has completed his probationary period, a decision has to be taken whether to retain the man or not. Once confirmed, an employee can be removed only for a proved offence. However, there are cases of discharge even after confirmation when the management found an employee as 'trouble-maker'.

Resignation: A termination initiated by the employee himself is called resignation. There are four categories of resignation : promotion in another company, domestic problems, dissatisfaction with the company and the personal circumstances.

Reasons for Resignation

A. Promotional Gain

- ★ Lack of Prospects in the company
- ★ Continually overlooked.

B. Domestic Problems

- ★ Marriage
- ★ Pregnancy
- ★ Increased domestic responsibilities
- ★ Removal from district.

C. Personal Circumstances

- ★ 111 health
- ★ Accident
- ★ Transport difficulty
- ★ Early retirement—cash gain.

D. Dissatisfaction

- ★ Job Content
- ★ Salary
- ★ Welfare benefits
- ★ Physical working conditions
- ★ Personality clash
- ★ Unfair treatment
- ★ Hours of work.

Redundancy : This unhappy procedure is essential to relieve the financial costs of the concern in periods of depression or through organisational change.

Retirement : People at retiring age often feel they could continue to work effectively and there is a strong resistance from many of giving up employment. Old age eventually solves the problem. In times of staff shortage, retired employees are of great help.

Termination Tree and Possible Courses of Action

T E R M I N A T I O N	Discharge	Poor Performance	Examine selection, training, supervision.
		Violation of Rules	Examine selection, supervision.
		Poor Code of Conduct	Examine Group structuring.
	Redun- dancy	Market depression	Allow for changes in manpower planning.
		Seasonal business	Develop manpower plan.
		Organisational change	Organisational restructuring.
	Resig- nation	Promotional Gains	Examine promotion policy.
		Better company located	Compare salaries with other companies.
		Domestic problems	Prepare statistics.
		Dissatisfied	Establish personnel counselling.
N	Retire- ment	Personal circumstances	Prepare statistics.
		Reached retiring age	Interview to consider extended employ- ment.
		Physical ill health	Prepare statistics, consider transfer.
		Mental ill health	Consider transfer.
		Company succession plans	Consider transfer or re-gaining.

Exit Policy : Voluntary Retirement Scheme (VRS)

Golden handshake is a management term of exit. It is also known as 'retrenchment without tears' by managers and 'forced retirement' by labour. Voluntary Retirement Scheme (VRS) or the Golden handshake has become the basic component of labour adjustment strategies adopted by managements in both the private and public sectors.

The recent finalisation of the Golden handshake scheme for public sector undertakings will involve a cost of Rs. 700 crore. The scheme envisages the rationalisation of about 4.5 lakh employees, about a fifth of 23 lakh employees in 246 central public sector undertakings declared surplus.

The scheme is applicable to workers and executives who have attained 40 years of age or completed 10 years of service, offers terminal benefits including 45 days emoluments for each completed year of service or the monthly emoluments at the time of retirement multiplied by the remaining months of service before the normal date of retirement, whichever is less.

The then minister of state for industries stated that the question of retrenchment in public enterprises would not arise as the government expected most of the excess workforce to opt for voluntary retirement.

The governments' announcement met with a volley of protests from major trade unions. According to one trade union leader, the implementation of VRS schemes in the public sector so far, has been 'mindless'. In key sectors like pharmaceuticals, engineering, and steel, the best personnel are being 'bribed into leaving', thus helping private industry competitors. The government has no idea as to how VRS would benefit public sector companies.

The government has set up the National Renewal Fund with an initial corpus of Rs. 2500 crores to provide a "social safety net" to workers affected by the impact of technological upgradation and modernization of industrial units.

Both public and private sectors would be covered by the fund. NRF will be of a non-statutory nature and consist of contributions from the Central Government, State Governments, Financial Institutions, Insurance Companies and industrial undertakings. Initially the NRF would have 2500 crores. This fund would provide assistance to cover the costs of re-training and redeployment of labour following technological upgradation and modernization and would provide compensation to those affected by the restructuring of any industrial unit in the public or private sector.

Procedures for administering the fund will be worked out by the Department of Industrial Development. All cases of labour distress owing to the implementation of the new industrial policy would be covered by the new fund. The Government recognises the need to protect the interests of workers who are likely to be affected by the technological upgradation.

Veteran trade union leaders feel that the schemes like the VRS as also the NRF are devised to make retrenchment easier for industries and less painful for workers. Though intended as a safety net, the fund is so small that at the contemplated rate of 1.5 lakh per retrenched worker, it will cover the compensation claims of 3-4% of the total number of employees in the 58 sick units.

In the private sector too, union leaders are highly critical of the VRS. The VRS is aiding the process of pushing the entire job market towards the unorganised sector. Even those who have accepted VRS and taken up new jobs are being forced to work on a contract basis. Thus these employees lose job security, better safety and health conditions and a good pay packet.

Union leaders point out that the modus operandi used by most companies to implement the VRS does not justify the use of the word 'voluntary' as most employees are forced to leave. It is not Golden Handshake but a kick at the back.

The VRS is introduced and the employees are to accept it. Workers with a bad work record or debts those who have taken a loan and those who have stood

witness to the worker who has taken a loan are sitting ducks for the management. For instance, in Hindustan Lever Ltd., workers who had taken loans were told that they could leave without paying back the loan. When they left, the workers who stood witness for them were asked to pay off the loan or alternatively take the VRS option. At least 100 were forced to leave Hindustan Lever in this manner.

VRS can help specific industries like textiles which requires modernisation regularly and rationalisation for survival. In case of employees who have been with a particular company for 15-20 years, if the employers do not find it worthwhile to redeploy him, how will the rest of the market accept him? Moreover, the skill learnt by him becomes redundant and useless to society as he usually has to take up an unskilled job later to sustain his family.

In some cases, the workers have the option of either taking a VRS or forcing closure of the unit. Employees naturally are forced to opt for the former. One such example is the Mumbai-based Murphy India which closed down after nearly 200 out of 525 workers did not accept VRS scheme offered by the management.

Only two categories of employees opt for voluntary retirement—those on the verge of retirement and those with considerable experience, a marketable skill and the capacity to secure another job.

Most companies want to get rid of the inefficient workforce and retain only for good ones. And ironically, it is the inefficient ones who are reluctant to leave.

For employers, VRS remains the most 'painless' way of pruning the labour force. Though capital-intensive at the time of implementation they feel the move is certainly cost-effective, taking into account the high remunerations that many sections of organised labour get in urban centres.

Under the right conditions VRS has proved an effective yet relatively non-confrontational means of achieving reduction in the regular workforce. A key part of the exercise is convincing labour that the financial condition of the firm is indeed serious enough and that without retrenchment it will become unviable resulting in a loss of jobs for all employees.

Many private firms including foreign banks now go out of their way to woo workers into leaving. In Mumbai, employees have been offered even small quantities of gold along with standard VRS benefits. Some companies also help the retired workers set up their own business or find alternative employment. For example, in Godrej and GKW, retired employees have been made distributors or aided by the company to set up new ventures in areas related to their skills.

With domestic industrial stagnation showing little signs of recovery, the golden handshake will remain for workers the surest way to widespread underemployment.

The government has offered tax relief on voluntary retirement schemes in the private sector with which the management can get rid of unwanted staff. The Government has attached some clauses to the availability of tax reliefs on VRS. The most important clauses which has to be fulfilled is that the amount receivable on account of voluntary retirement of the employee should not exceed the amount equivalent to one and a half month's salary for each completed year of service. In any case, the amount under the VRS should not exceed Rs. 5 lakhs in case of each employee. Any employee of a company who has completed 10 years of service or completed 40 years of age and who is a worker or executive and not a director of the company will be eligible for tax benefits.

Results of VRS are

- Expansion of unorganised sector.
- Increase of income inequality.
- More social tension.

Golden handshake has been extended to school and college teachers. Teachers have to accept retirement at the age of 60 and there will be no re-employment beyond 60. While the retirement age of teachers have increased from 67 to 70 in USA and in the former Soviet Russia and Japan, there is no retirement age, here in India we find just the reverse. The Government is reducing the span of working life of a teacher with a view to reducing the problem of unemployment.

Golden handshake schemes vary from company to company in the private sector. A Delhi based company offers %ths of monthly salary for every year of service rendered. For every year left upto 5 years, the employee gets one month's salary and beyond 5 years the employee gets half a month's salary. He is also allowed a full encashment of the leave due for the entire service period.

One company gives every employee opting for a golden handshake his gratuity and provident fund plus 80% of the salary payable till the date of his retirement. This way the employee still remains attached to the company and is also ensured of a constant income till the date of his actual retirement even though he takes early retirement.

Among the private sector companies who have offered VRS are Premier Automobiles Ltd., Hindustan Lever, Blue Star, GKW, Godrej Soaps, Mahindra & Mahindra, Ceat Tyres, Murphy India etc. Nearly 1800 workers of the Mumbai Dock Labour Board have submitted applications for voluntary retirements. The Board has

paid compensation to about 1500 workers. However, contrary to expectations, VRS has not yet been implemented in any NTC mill. Labour reduction has been shown as one of the requirements for turning these units around. A substantial reduction of the workforce has been planned for all NTC mills.

In 1989 BHEL offered VRS to all members of the staff who were either over 50 years of age or had put in 15 years of service. The scheme failed to convince workers that the scheme was viable. The scheme was implemented only for officers. The management found to its alarm, only the best officers were willing to take voluntary retirement. In the first two years, the company lost many good officers who joined BHEL competitors in the private and multinational sectors. The pruning of manpower has not improved the efficiency of the company. In fact, even without the VRS scheme normal retirements in the next few years would have cut staff strength sufficiently and the large sums paid as compensation could be considered as unnecessary expenditure. The scheme was dropped recently following protests from officers' unions who have alleged that it was affecting the proper functioning of the unit.

New VRS policy for PSUs

On 16 March, 2000, the Cabinet approved a uniform VRS scheme for all public sector units.

Under the new VRS scheme all public sector enterprises will be divided into three distinct categories. Firstly, a VRS scheme for those public sector units which are financially sound or are profit-making organisations. Secondly, a different scheme for marginally profit-making or loss-making public sector enterprises and finally a scheme for terminally sick or unviable units.

Financially viable public sector units which are capable of meeting their enhanced costs will now be allowed to implement their own variant of VRS, according to sources.

A marginally loss or profit-making PSU, whose performance can be improved with a little effort, can now adopt the "Gujarat pattern" of VRS, while enterprises which have been declared terminally sick can now adopt the VRS scheme enunciated by the Department of Heavy Industries in 1988 within a specific time period stipulated by exercising the VRS.

Employees who have already completed 10 years of service or have attained 40 years of age and are working in terminally sick companies can now avail of the VRS scheme. Those opting for the scheme will be entitled now only to terminal benefits but also exgratia payment equivalent to one and a half month's pay plus dearness allowance for each year of completed service. Otherwise, they can avail of monthly

pay plus clearness allowance at the time of retirement multiplied by the months of service left whichever is less.

For the marginally sick or profit-making companies, that is the Gujarat pattern, offers three different schemes. In addition to the terminal benefits, persons who wish to avail of the VRS can either take 35 days of salary for every year of completed service or they can settle for 25 days of salary. Finally, persons can settle for Rs. 2500 for every year of service left.

In the Gujarat pattern, salary includes basic pay plus allowance plus dearness allowance, personal allowance plus house rent allowance. However, if a person's basic pay is less than Rs. 350/-, then it will be taken as Rs. 350/-.

Finally, to make the VRS attractive for persons working in the profit-making organisation, the Government has added new incentives. For persons willing to avail of the VRS scheme and those who have completed 30 years of service, a maximum of 60 months or five years' salary or wages as compensation will be granted.

QUESTIONS FOR DISCUSSION

1. Discuss the objectives of Minimum Wage Regulation.
2. What are the functions of compensation ? Can you explain them in terms of traditional theories ?
3. Discuss the principles of Minimum Wages Fixation.
4. What do you mean by Fringe Benefits ? What are its types ? What are the objectives of Fringe Benefits ?
5. Discuss what are the main compensation issues facing an organisation.
6. How wages of workers not covered by the Minimum Wages are fixed in India ?
7. Do you think that Bonus is a matter of Right ? Discuss the main provisions of the Payment of Bonus Act, 1965.
8. Discuss the statutory provisions for holidays and leaves for industrial workers in India.
9. Write a note on the new VRS policy for PSUs.

Module 4 □ Motivation

1. Motivation

INTRODUCTION

Motivation, perception and learning are three psychological processes which determine behaviour. Perception refers to the way in which an individual experiences the universe. It is the process by which he sees certain elements. It is an individual's own view of the world. Since perceptions are strongly influenced by personal values, different people perceive the same thing in different ways. Learning brings about a relatively permanent change in behaviour through the acquisition of knowledge. Along with perception and learning motivation helps the understanding of behaviour.

Certain functions occur without motivation but nearly all conscious behaviour is motivated. Everyone will fall asleep without motivation but going to bed is a conscious act requiring motivation. Motives are expressions of a person's needs, hence they are personal and internal. On the other hand, incentives are external to the person. They are made part of the work environment by management in order to encourage workers to accomplish tasks. "The term motivation deals with the idea of movement and very simply, a motive is a thing that moves you to behave as you do. It is that which drives you forward and moves you towards your goal."

The work of Elton Mayo in the 20s started an avalanche of interest in the field of human relations and morale. Mayo observed that the feeling of belonging is more important in determining a worker's morale and productivity than the physical conditions under which he works. It is established that proper motivation and good morale are essential for improved production.

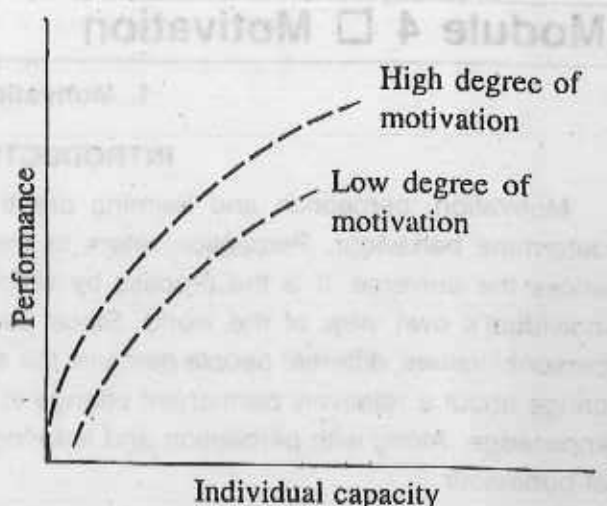
Understanding the behaviour of workers is a crucial problem for any management. Only after understanding this, management can think of getting the best out of its workers. For understanding the behaviour we must have information about the motives—the why of behaviour.

The Hawthorne Studies established that proper motivation and good morale are essential for improved production. Since people are the most important source of wealth of an organisation, their behaviour has to be studied, analysed and interpreted properly. Among the behavioural processes, motivation is generally treated as one of strategic importance. It is because lack of motivation results in such negative consequences as ineffective performance and high level of absenteeism and turnover. The importance of motivation is illustrated in the following figure :

Employees with a high level of motivation are usually much more productive than those with a low-level of motivation.

Evolution :

The study of motivation can be traced back to the writings of the ancient S3 Greek philosophers. They presented bedonism as an explanation of human motivation. Hedonists explained motivation in terms of people trying to maximise pleasure and minimise pain.



Early psychological thought was also influenced by the idea of hedonism. It was William James, the father of American psychology who first called in question the assumption and recognized two additional concepts in the study of motivation—instincts and unconscious motivation. James did not feel that man is always consciously rational. He thought that much of human behaviour is instinct based. William McDougall further developed the instinct theory of behaviour. In the 20s the instinct theory of motivation came under heavy fire. Instincts cannot adequately explain human behaviour though the theory can explain the behaviour of animals. It was Dr. Sigmund Freud who openly recognized the importance of the unconscious and made it a part of the study of human motivation.

Using the scientific perspective of early psychologists, Clark Hull formulated the drive theory of motivation. Hull proposed that motivation was a product of drive and habit ($M = D \times H$). Drive theory serves as a theoretical basis for the motivational cycle of needs → drives → goals. Hull's theory generated a tremendous amount of research in the 40s. In 1943, A Maslow outlined the elements of an overall theory of motivation. Maslow's theory of basic needs provide valuable insights about human motivation. Maslow's model of hierarchy of needs indicates the following propositions about human behaviour

- (1) Man is wanting animal, as soon as one of his basis needs is satisfied, another appears in its place. This process is unending. It continues from birth to death.
- (2) A satisfied need is not a motivator of behaviour. Only unsatisfied needs motivate behaviour.
- (3) Man's needs are arranged in an ascending order of importance.

- (4) Physiological, safety and love needs are described as lower order needs and esteem and self-actualisation as higher order needs. This distinction stands on the premise that higher order needs are satisfied internally to the person whereas lower order needs are predominantly satisfied externally (e.g., money wages, good working conditions etc.).

The key to understanding motivation lies in the relationship between needs, drives and goals. Needs → Drives → Goals shows the motivation cycle. Needs set up drives to accomplish goals. Motivation consists of three interacting elements—needs, drives and goals.

A need means deficiency. Whenever there is a physiological or psychological imbalance, needs are created, for e.g., a need arises when the human body is deprived of food and water.

Drives or motives are set up to remove needs. A drive is simply a deficiency with direction. Drives are action oriented and provide a thrust towards goal accomplishment. They are at the very heart of motivational process.

At the end of the motivation cycle is the goal. A goal in the motivation cycle is anything which will alleviate a need and reduce a drive. Thus, attaining a goal will tend to restore physiological or psychological balance and will reduce the drive. Eating food or drinking water restore the physiological balance and reduce the corresponding drives. Food and water are the goals.

Motivation is a hypothetical construct which involves antecedent conditions and consequent behaviour. Motives like hunger, sex or power cannot be seen; they can be observed from behaviour only.

Motives can be expressed in several types of behaviour. George Kimble and Norman Garnezy have pointed out three such types of motivated behaviour as follows :

- (1) **Consummatory Behaviours** : This form of motivated behaviour directly satisfies the needs in question. Eating with the corresponding drive hunger or drinking with the corresponding drive thirst are examples.
- (2) **Instrumental Behaviour** : This form of motivated behaviour is instrumental is satisfying the need in question. The instrumental behaviour does not directly satisfy the need as does consummatory behaviour. For a prostitute, sexual behaviour may be instrumental in satisfying the hunger motive,
- (3) **Substitute Behaviour** : This type of motivated behaviour is very complex and difficult to explain. It is indirect in nature and apparently seems to have little relevance to the need in question.

Motives :

Motives are generally divided into two classes—primary and secondary. In between the two are general motives. Primary motives are unlearned and physiologically based. Though the precedence of primary motives is implied in the motivation theory of Maslow, there are situations where general and secondary motives are more important than primary. Fasting for a religious or political cause is a case in point. In this case, learned secondary motives are stronger than unlearned primary motives. A general motive is unlearned but not physiologically based. General motives are more important to organisational behaviour than primary motives.

Robert White maintains the view that all organisms have a capacity to interact effectively with the environment. This common capacity is termed competence. White built a theory of motivation on competence. People try to have control or competence over their environment. The critical age for competence development is between 6 and 9. During this period children venture out into the world of their own. They develop needs to cross the streets by themselves, to ride a bike, play football and read. These needs are manifested by the drive for competence over the environment. This motive has interesting implications for job design in an organisation. People may be motivated by the challenge of trying to master the job. But once the job is mastered, competence motivation will disappear.

Love or affection is a very complex form of general drive. In many ways love resembles the primary drives and in other ways it resembles secondary drives. The affection motive is closely associated with the primary sex motive on the one hand and the secondary affiliation motive on the other. In a world suffering from interpersonal and intrapersonal conflict, the affection motive takes on the added importance in the study of human behaviour.

Secondary Motives :

From the standpoint of human behaviour in organisations, the drives are more important than primary and general drives. As human society develops and becomes more complex, primary and general drives give way to the learned secondary drives in motivating behaviour. In the third world countries, the motivation of people are still dominated by hunger or thirst, but in the affluent Western society the learned secondary motives are predominant. Power, achievement, affiliation, security and status are important secondary motives.

Approaches to Motivation :

There are three distinct approaches to the motivational phenomena to ensure and boost worker productivity : these are the stick approach, the carrot approach and the combined carrot and stick approach.

(1) **The Stick or Authoritarian Approach :** This approach represents the oldest or classical view which compels performance through threats of penalties for failure. The industrialist was a dictator. He believed that might is right. With stick in hand the manager control his subordinates. This was in vogue in the days of slavery. There are instances of slaves put to death for not doing what they were told to do. During these periods workers were completely under the thumb of their masters, subject to arbitrary overtime, arbitrary punishment, arbitrary fines and arbitrary dismissal. The approach is still followed in prison and military administration in all countries. In effect, the management tells the employee, 'you do what I tell you, otherwise I will sack you'.

This approach represents a negative attitude. Without positive motivation no good result can be obtained. The threat of punishment may dampen the spirit of employees.

(2) **The Carrot or Paternalistic Approach :** The carrot or paternalistic approach suggests that employees should be treated in a fatherly way as if the business organisation is a family and they are its dependent members. The employees are given rewards unconditionally. There is only carrot and no stick. The employers think that because of these rewards the employees will remain loyal and grateful and work hard.

This approach does not motivate the workers. Ordinary workers do not have that sense of gratitude which the paternalist manager expects from them. So unconditional rewards will be just absorbed by them without any reciprocative behaviour. If one man has to play the role of benevolent supervisor, another has to play the role of grateful subordinate. No man can play the role of paternalistic employer successfully unless others will play the reciprocal roles of child like employees.

Paternalism means that papa knows best. Management tells the employee—'you do what I tell you because I shall look after your needs'. By its very nature the paternalistic approach is unlikely to work along with mature adult employees, many of whom do not like their interests to be looked after by a "good father", they regard themselves as more competent to do so.

This approach, however, can work when the existing socio-cultural structure is congenial to the type of superior-subordinate relationship as in Japan and India, and there are no strong labour organisations to challenge the manager's decisions about what should be done for the employees.

(3) The Carrot and Stick Approach : The combined carrot and stick approach or the exchange approach suggests that with the stick in one hand the manager will extract work against the threat of penalty and with the carrot in another, he will induce the worker to work harder in the hope of good rewards. The carrot and stick approach is essentially a penalty—reward approach. If the worker produces more, he is given a bonus and if he produces less, he is penalised.

Whereas the carrot approach provides for unconditional rewards, the carrot and stick approach provides for both rewards and penalties which are linked directly to the level of performance.

This approach can be identified with Taylor's Differential Piece Rate System or with incentive wage system of modern times. It is also known as an exchange theory because it proposes to purchase quality and quantity of output.

But the incentive scheme is not quite sound. It is based on the assumptions that the worker is fundamentally and continually motivated by economic considerations. The Hawthorne experiments proved that financial incentives are not enough.

It is being increasingly realised that an employee works to satisfy some basic needs within himself. Consequently, high employee productivity can be obtained when the organisation provides adequate opportunities for satisfaction of those needs through the work done. In other words, a high producing organisation is one which has achieved maximum congruence between the organisation needs and employee needs.

Creating Proper Motivational Climate :

It is too much to expect a manager to create conditions that help people to satisfy self-actualisation needs, but he can create conditions that will make people satisfied and help them to strive to achieve their best.

The manager will work in such a manner as to create the following conditions which will motivate employees.

- (1) Create conditions where workers' energies are not fully expended in meeting their basic needs :

If workers are worried about their wages, housing, job security etc. much energy will be wasted to ensure these things. If the workers are low paid, they will organise themselves in trade union activities for increasing their wages. If the managers cannot help the workers in these matters, at least they must be sympathetic to the workers' demand and if possible try to help the little he can do in his capacity.

(2) Create a climate for inter-dependent work rather than dependency :

Some managers want that every worker would turn to them for advice and guidance. Such managers do not allow their workers to do any thing on their own. If the manager wants every worker must take his approval before doing any thing, he is creating climate of dependency. Under such a climate workers do only what they have been asked to do by their boss and will not do anything on their own initiative. When problems arise, 'they look to' the boss to solve them. When there is something wrong, workers do not accept the responsibility because they have not acted on their own but on the advice of their boss. Thus the manager is plagued with responsibilities and constant problem-solving. He not only wastes his own energies but also those of his employees. Paternalistic behaviour creates dependency in subordinates and kill their creativity and sense of responsibility.

(3) Create a competitive climate through recognition of good work :

Workers expect reward for good work. Rewards need not always be in financial terms. Even a word of appreciation has a great motivating force. Recognition of the contributions of the workers will motivate the workers to work harder and will create a sense of competition in them.

(4) Create a climate of approach and problem-solving rather than avoidance :

There are two types of managers—approaching managers and avoiding managers. The approaching manager is one who approaches the problem with confidence and try to solve them with the help of others. Even if the problem is not solved, the struggle to overcome them provides satisfaction. The avoiding manager perceives problems everywhere and he wants to delegate problems to someone else. Workers imitate this style. A manager who avoids responsibility himself cannot help his subordinates to take responsibility. Little work is done unless people accept responsibility and do it.

(5) Create a productive environment through personal example :

Workers imitate the managers. Managers should be motivated and hardworking and should set an example before the workers. If he trusts his workers, it will create a proper motivating climate.

(6) Motivate individually through guidance and counselling :

A good manager should provide proper guidance to workers. He should be a counsellor of workers. There are very efficient workers, average workers and poor workers. The manager must be very sensitive to individual differences of workers.

What demotivates (demoralises) employees ?

There are some management practices which affect adversely the morale and motivation of workers to give their best. These are as follows :

- (1) Over assignment. If a good worker is so overloaded that he feels being exploited, he will be demoralised and lose interest in his work.
- (2) Under assignment. If an efficient man is given an unskilled or routine type of job, it will create frustration and demotivate the employee.
- (3) Buckmastership Managers avoiding difficult task themselves and passing the same to their subordinates and finding fault with them is a management practice which may demoralises workers.
- (4) Coercive supervision. Coercive type of supervision may give the worker a feeling that he is not being trusted might demotivate him. If supervision or control is too coercive, motivation of the employee will go down.
- (5) Manipulative behaviour. Manipulative behaviour of the manager in the form of divide and rule policy, making false promises, encouraging groupism may also have a demotivating effect on employees.

Motivation and Human Behaviour :

The rational economic man concept tries to explain human behaviour in terms of economics. Man is motivated by economic rewards only. This is monistic approach because behaviour is explained in terms of single motive, namely money. There are other monistic theories like Freud's libido or sex or Alder's power. These monistic approaches cannot be accepted because human behaviour at any time is mostly guided by a multiplicity of motives.

Economic approach was followed by another approach—the concept of social man. Hawthorne experiments indicated that a man's social needs are even more important than his economic needs. Every worker wants to be accepted by his fellow-workers and he is more responsive to the demands of his peer groups than to the command of his superiors. Thus the study of informal groups is more important than the study of an individual for the purpose of motivation.

Lastly, came the concept of self-actualising man. McGregor and many other behavioural scientists established the importance of self-actualisation needs of an employee. Man is guided by a multiplicity of motives. Man seeks some meaning and challenge in his job. This made the study of work more important than the study of individual or group.

Benefits of Motivation : Motivation is essential to the operation of organisations. No matter how much machinery and equipment an organisation has, these things cannot be put to use until they are released and guided by people who have been motivated.

The major benefits of motivation are as follows :

- (1) **Needs satisfaction :** Motivation satisfies the needs of individuals as well as groups. Even individual or group of individuals joins an organisation to fulfil certain personal needs. The motivation function of the manager serves to help such fulfilment.
- (2) **Job satisfaction :** Motivation promotes job satisfaction too. When an employee's needs are satisfied, he is on the whole happy. His job satisfaction is of more direct concern. It is the key to other important consequences. Managers in general are satisfied with jobs which are challenging in character and involve some creative thinking.
- (3) **Productivity :** An individual's contribution to output is the resultant of two variables—his capacity for work and his willingness to work. If P is performance, A ability and M Motivation, then $P = A \times M$. It is clear that performance is not equal to the sum of an individual's ability and motivation but rather to the product of these two variables. Given the value of ability greater than zero, level of performance is a constantly increasing function of amount of motivation. Since productivity is the effect of performance, it is logical to conclude that proper motivation increases productivity.
- (4) **Learning :** Motivation helps the learning process. Without motivation learning does not take place. There must be motivation or drive before there can be learning. Motivation includes interest and the attitude of wanting to learn. If a person does not want to learn, he will not learn even though he understands clearly what is being taught and has perfect capacity to respond in the way that would show the learning. This means that the trainer needs to select trainees on the basis of motivation and needs to have policies and practices that will encourage the growth of motivation.
- (5) **Discipline :** Motivation promotes self-discipline. The idea of discipline generally carries a negative connotation. Subordinates obey a superior and maintain orderly behaviour for fear of punishment. But motivation raises discipline to positive level. The self-discipline of an individual costs less and accomplishes much more than the discipline imposed by the boss from above. Committed workers discipline themselves. They feel that by doing so they further their own interest.

- (6) **Dynamism** : There is an element of dynamism in motivation. When the rank and file workers and managers are properly motivated, a kinetic energy is generated which produce a tremendous impact not merely on the productivity and profits of an organisation but also on its industrial relations, public image, stability and future development.

Theories of Motivation : Content Theories :

I. Maslow's Hierarchy of Needs :

Dr. Abraham Maslow's theory of basic needs provide valuable insights about human motivation. He views an individual's motivation as a predetermined order of needs which he strives to satisfy. Maslow's model of 'Hierarchy of Needs' indicates the following propositions about human behaviour :

- (1) Man is a wanting animal, as soon as one of his needs is satisfied another appears in its place. This process is unending. It continues from birth to death. Man continuously puts forth efforts to satisfy his needs.
- (2) A satisfied need is not a motivation of behaviour. Only unsatisfied needs motivate behaviour. In other words, employees are more enthusiastically motivated by what they are seeking than by what they already have.
- (3) Man's needs are arranged in an ascending order of importance.
- (4) Physiological, safety and love needs are lower order needs and esteem and self-actualisation are higher order needs. The distinction stands on the premise that higher order needs are satisfied internally to the person whereas lower-order needs are predominantly satisfied externally (e.g., money wages, good working conditions etc.).

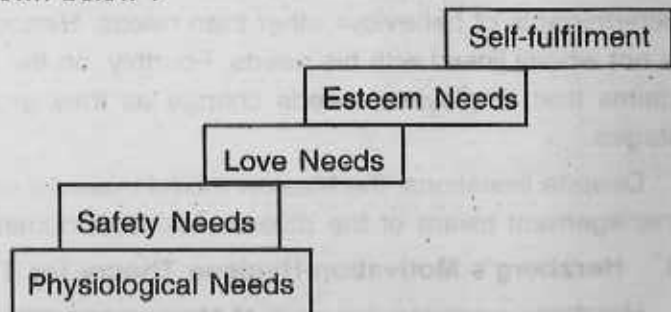
Maslow postulates five basic needs which are organised into successive levels. For example, hunger is a basic physiological need but when there is plenty of food higher needs emerge, when the higher needs are satisfied, newer and still higher needs come to the fore and so on. Let us describe Maslow's classification starting with the lowest.

- (1) **Physiological Needs** : These are hunger for food, sex, shelter and other bodily needs. Man lives by bread alone when there is no bread. Gandhiji puts the same idea when he says, 'to the hungry man food is God'. But what happens to man's desires when there is plenty of bread and when his belly is filled ? Maslow contends that at once other and higher needs emerge and these dominate the organism. And when these in turn are satisfied, there will emerge newer and still higher needs.

- (2) **Safety Needs** : If the physiological and safety needs are relatively satisfied, a set of needs emerge for protection against danger and threats. In an ordered society a person usually feels safe from extremes of climate, tyranny, violence and so on.
- (3) **Love Needs** : If the physiological and safety needs are fairly satisfied, the needs for love and affection and belongingness will emerge and the cycle will repeat itself with this new centre. If he is deprived of these needs he will want to attain them more than anything else in the world. An individual desires affectionate relationship with people in general and desires to have a respected place in his group.
- (4) **Esteem Needs** : Everyone has a need for self-respect and for the esteem of others. This results in the desire for strength, confidence, prestige, recognition and appreciation. These egoistic needs are rarely completely satisfied. The typical industrial and commercial organisation does not offer much opportunity for their satisfaction to employees at the lowest levels.
- (5) **Needs for Self-Actualisation** : Even if all the needs mentioned above are satisfied, we can still expect that a new discontent will develop. The emergence of these needs rests upon prior satisfaction of the physiological, safety, love and esteem needs. A musician must make music, an artist must paint, a poet must write if he is to be ultimately at peace with himself. 'What a man can be, he must be.' Thus, self-actualisation is the desire to become what one is capable of becoming.

People who are satisfied with these needs are basically satisfied people and it is from these that we can expect the fullest creativeness.

Maslow's Need Ladder is shown below :



Evaluation :

Maslow did not intend that his need hierarchy should be directly applied to work motivation. Despite this lack of intent on Maslow's own part, McGregor and others

popularised the Maslow theory in management literature. The need hierarchy has a tremendous impact on the modern management approach to motivation.

Maslow's need hierarchy theory can be converted into the content model of work motivation which is shown in the Figure 1.1. below :

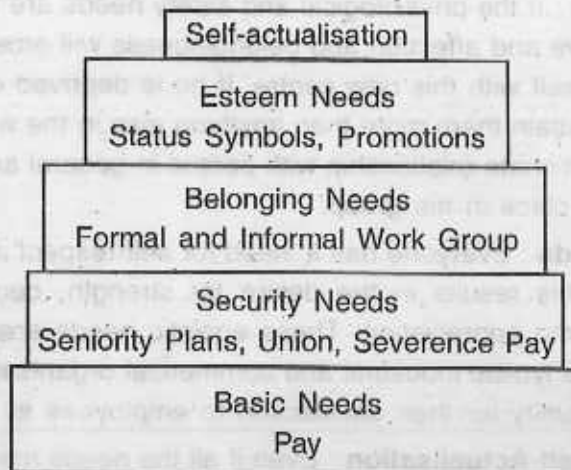


Figure 1.1

Maslow's hierarchy of needs theory has received wide recognition, particularly among practicing managers. This can be attributed largely to the theory's intuitive logic and ease of understanding. Unfortunately, research does not support this theory. There are many exceptions to the theory.

First, there are some people in whom self-esteem seems to be more important than love. This reversal in the hierarchy occurs where a strong person seeks self-assertion as a means to an end. Secondly, some creative people in spite of lack of basic needs satisfaction, may attain self-actualisation. Thirdly, there are many determinants of behaviour other than needs. Hence, the behaviour of an individual is not wholly linked with his needs. Fourthly, on the basis of an empirical study Hall claims that employees' needs change as they grow older and enter new career stages.

Despite limitations, the Maslow model makes a significant contribution by making management aware of the diverse needs of humans at work.

II. Herzberg's Motivation-Hygiene Theory (or Two-Factor Model)

Herzberg extended the work of Maslow and developed a specific content theory of work motivation. On the basis of research with engineers and accountants, Fredrick Herzberg developed a two-factor model of motivation in the 1950s. He asked his subjects to think of a time when they felt especially good about their jobs

and a time when they felt especially bad about their jobs. He also asked them to describe the conditions that led to those feelings. Herzberg found that employees mentioned different types of conditions for good and bad feelings. For example, if a feeling of achievement led to a good feeling, the lack of achievement was not the cause for the bad feeling. Some other factors such as company policy was named as a cause of bad feelings.

The job satisfiers were called motivators and the dissatisfiers called hygiene factors. Taken together, came to be known as two-factor theory of motivation.

Herzberg concluded that two separate factors influenced motivation. People used to believe that motivation and lack of motivation were merely opposites. Herzberg suggests that the opposite of the satisfaction is not dissatisfaction as was traditionally believed. In other words, removing dissatisfying characteristics from a job does not necessarily make the job satisfying or vice versa.

According to Herzberg, the factors leading to job satisfaction are separate from those that lead to job dissatisfaction. So, by eliminating factors that can create job dissatisfaction, cannot necessarily bring about motivation. Company policy and administration, supervision, salary, interpersonal relations, working conditions are hygiene factors or maintenance factors. These hygienic factors prevent dissatisfaction but they do not lead to satisfaction. By themselves, the hygienic factors do not motivate. Only the motivators or satisfiers motivate humans on the job. They are roughly equivalent to Maslow's higher level needs. According to Herzberg, an individual must have a job with a challenging content in order to be truly motivated. According to Herzberg, achievement, recognition, the work itself, responsibility and advancement are motivators.

See the Table below :

Table-I

Hygiene Factors (Maintenance Factors)	Motivators (Satisfiers)
Job Context	Job Content
Company Policy and Administration	Achievement
Supervision	Recognition
Salary	Work Itself
Interpersonal Relationships	Responsibility
Working Conditions	Advancement

Table-II
Traditional View

Satisfaction		Dissatisfaction
	Herzberg's View (Motivators)	
Satisfaction		No Satisfaction
	(Hygiene Factors)	
No Dissatisfaction		Dissatisfaction

Motivational factors (e.g., responsibility, achievement) are directly related to the job itself. Motivators are mainly job-centred, they relate to job content. On the other hand, maintenance factors are mainly related to job context because they are related to the environment surrounding the job. This difference between job content and job context is significant. It shows that employees are primarily motivated by what they do for themselves. When they take responsibility, they are strongly motivated.

The difference between job content and job context is similar to the difference between intrinsic and extrinsic motivators. Intrinsic motivators are internal rewards that a person feels when performing a job, so there is a direct correlation between work and rewards. A worker in this situation is self motivated. Extrinsic motivators are external rewards and do not provide direct satisfaction at the time of performance. Retirement plans or vacations are such examples.

Herzberg's two-factor theory throws new light on the content of work motivation. For many years, managers had generally concentrated on the hygienic factors. When faced with a morale problem, the typical solution was higher pay, more fringe benefits and better working conditions. But this approach did not work. Managers are often perplexed because in spite of paying higher wages and better working conditions, their employees are still not motivated. Herzberg offers an explanation for the dilemma by emphasising only on the hygienic factors, management is not motivating its personnel.

Criticism :

The Herzberg model is not above criticism. To begin with, it is not universally applicable as it applies best to managerial, professional and upper level white-collar employees.

Secondly, the theory is inconsistent with previous research. The motivation-hygiene theory ignores situational variables.

Thirdly, Herzberg assumes that there is a relationship between satisfaction and productivity. But the methodology he used looked only at satisfaction, not at productivity.

III. ERG Theory :

Building upon Maslow's need model and seeking to overcome some of its weaknesses, Clayton Alderfer formulated a modified need hierarchy with just three levels which was more in line with the empirical research.

Alderfer argues that there are three groups of core needs—existence, relatedness and growth—hence the label ERG theory. The existence needs are concerned with survival. They include the items that Maslow considered as physiological and safety needs. The second group of needs are those of relatedness—the desire we have for maintaining important interpersonal relationships. These social and status desires require interaction with others if they are to be satisfied. They include the items that Maslow considered as love and esteem needs. Finally, employees want to satisfy growth needs and these involve both the desire for self-esteem and self-actualisation.

Alderfer is suggesting more of a continuum of needs than hierarchical levels or two factors of prepotency needs. Unlike Maslow or Herzberg, he does not argue that a lower-level need has to be fulfilled before a higher level need is motivating nor that deprivation is the only way to activate a need.

There has been little research on ERG theory. Yet, most contemporary analyses of work motivation tend to support the Alderfer theory over Maslow and Herzberg. The table below shows relationship of the three models.

Table-III

Herzberg's Two Factors	Maslow's Hierarchy of Needs	Alderfer's ERG Needs
	Self Actualisation	Growth
	Esteem	
Motivators	Self	Relatedness
	Others	
	Love	
Hygiene Factors	Safety	Existence
	Physiological	

IV. McClelland's Achievement, Affiliation and Power Motives :

David McClelland has proposed that there are three major needs or motives in work place situations. They are identified as follows :

- (1) The Need for Achievement—the drive to excel, to achieve in relation to a set of standards, to strive to succeed.

- (2) The Need for Affiliation—the desire for friendly and close interpersonal relationship.
- (3) The Need for Power—the need to make others behave in a way that they would not have behaved otherwise.

Some people have a compelling drive to succeed for the sake of success alone. McClelland calls this the drive for achievement, which he has abbreviated as *n Ach*. From his research into the achievement need, McClelland found that high achievers differentiate themselves from others by their desire to do things better. They seek situations where they can attain personal responsibility for finding solutions to problems where they can receive rapid feedback on their performance and where they can set moderately challenging goals. High achievers are not gamblers, they dislike succeeding by chance. They prefer the challenge of working at a problem and accepting the personal responsibility for success or failure, rather than leaving the outcome to chance or the actions of others. Importantly, they avoid what they perceive to be easy or very difficult tasks.

The need for achievement closely align with qualities necessary for successful entrepreneurship. As a result, high achievers are attracted to business where there are challenging risks, rapid feedback and opportunities to influence through personal efforts.

The need for power (*n Pow*) is the desire to have impact and to control others. Individuals high in *n Pow* enjoy being in charge, strive for influence over others, prefer to be placed into competitive and status-oriented situations and tend to be more concerned with gaining influence over others and prestige than with effective performance.

The third need is affiliation (*n Aff*), the desire to be liked and accepted by others. Individuals with a high affiliation motive strive for friendship, prefer co-operative situations rather than competitive ones, desire relationships involving a high degree of mutual understanding.

McClelland's research shows that these motives have important implications for organisational selection. The need for affiliation (*n Aff*) and the need for power (*n Pow*) tend to be closely related to managerial success. McClelland's personal research gives strong evidence that the best managers are high in their need for power and low in their need for affiliation.

Attempts to validate McClelland's research and conclusions have met with some success. However, practitioners have given greatest attention to the achievement needs. Given that *n Ach* drives people to act on the basis of an internally induced

stimulus rather than relying on externally imposed motivators, there are several implications for managers. Firstly, since the n Ach attributes can be taught and have been positively related to higher work performance, managers can consider having employees undergo n Ach training to stimulate this need. Secondly, an understanding of the concepts behind n Ach and the characteristics that individuals high in n Ach seek in their jobs can assist managers in designing jobs with maximum motivational properties.

V. McGregor's Theory-X and Theory-Y :

After examining the ways in which managers deal with subordinates, Douglas McGregor came to conclusion that a manager's view of human nature is based on one of the two sets of assumptions about people and that managers mould their behaviour towards subordinates according to which set of assumptions they hold. The first set of assumptions, basically negative, McGregor called Theory X and the second, basically positive, he called Theory Y.

Under Theory X, four assumptions are held by the manager :

1. Employees inherently dislike work and, whenever possible, will attempt to avoid it.
2. Since employees dislike work, they must be coerced, controlled or threatened with punishment to achieve desired goals.
3. Employees will shirk responsibilities and seek formal direction whenever possible.
4. Most workers place security above all other factors associated with work and will display little ambition.

In contrast to these negative views towards human nature, McGregor mentioned four other assumptions that he called Theory Y :

- (i) Employees can view work as being as natural as rest or play.
- (ii) Employees will exercise self-direction and self-control if they are committed to the objectives.
- (iii) The average person can learn to accept, even seek responsibility.
- (iv) Creativity (i.e., ability to make good decisions) is widely dispersed throughout the population and not necessarily the sole province of those in managerial functions.

The utility of the McGregor theories is his convincing argument that most management actions flow directly from whatever theory of human behaviour

managers hold. Philosophy controls practice. Management's personnel practices flow from assumptions about human behaviour.

Theory X implies an autocratic approach to managing. As already pointed out, it assumes most people dislike work, they have little ambition, they are self-centred, indifferent to organisational needs and resistant to change. The only way that management can secure high employee performance is to coerce, control and threaten them.

Theory Y implies a humanistic and supportive approach to managing people. It assumes that people are not inherently lazy and indolent. Any appearance they have of being that way is the result of their experiences with organisations, but if management will provide the proper environment to release their potential, work will become as natural to them as play or rest. They will exercise self-direction and self-control in the service of objectives to which they are committed. Management's role is to provide an environment in which the potential of people can be released at work.

McGregor argues that management has been ignoring the facts about people. It has been following an outmoded set of assumptions about people because it adhered to Theory X when the facts are that most people are closer to the Theory Y set of assumption. Hence, management should change to a whole new theory of working with people Theory Y.

Unfortunately, there is no evidence to confirm that either set of assumptions is valid or that acceptance of Theory assumptions will lead to more motivated workers.

PROCESS MODELS

VI. Vroom's Expectancy Theory of Motivation :

The content theories or need theories attempt to identify what motivated people at work (e.g., responsibility, growth, self-actualisation). On the other hand, process theories attempt to identify the variables that go into motivation and how they relate to one another. Vroom's Expectancy model is an alternative to the content theories. It makes the most significant contribution to understanding the complex processes involved in work motivation.

The expectancy theory of work motivation was originally proposed by Edwar Tolman as a part of the purposive psychology of behaviour, Vroom was the first to relate the theory of motivation in the work environment which was expanded and refined by Porter and Lawler and others.

Vroom explains that motivation is a product of thread factors : (1) how much one wants a reward (valence), one's estimate of the probability that effort will result in successful performance, (expectancy) and one's estimate that performance will

result in receiving the reward (instrumentality). This relationship can be shown in the form of a formula :

$$\text{Motivation} = \text{Valence} \times \text{Expectancy} \times \text{Instrumentality}$$

$$M = V \times E \times I$$

The product of valence, expectancy and instrumentality is motivation. It is defined as the strength of the drive towards an action.

Valence refers to the strength of an individual's preference for a particular outcome. Value, incentive, attitude and expected utility are other terms for valence. If an employee strongly wants a promotion, then promotion has high valence for that employee. Since people may have positive or negative preferences for an outcome, valence may be negative as well as positive. When a person prefers not attaining an outcome compared with attaining it, then valence is a negative figure. If a person is indifferent to an outcome, then valence is '0'. The total range is from - 1 to + 1.

Expectancy is the strength of belief that an act will be followed by particular outcomes. Expectancies are stated as probabilities—the employees' estimate of the degree to which performance will be determined by the amount of effort expended. Since expectancy is the probability of a connection between effort and performance, its value may range from 0 to 1.

Instrumentality represents the employees' belief that reward will be received once that task is accomplished. Here the employee makes another subjective judgement about the probability that the organisation values the performance and will administer rewards on a contingent basis. The value of instrumentality ranges from 0 to 1. If an employee sees that promotions are based on performance data, instrumentality will be rated high.

First and Second-level Outcomes :

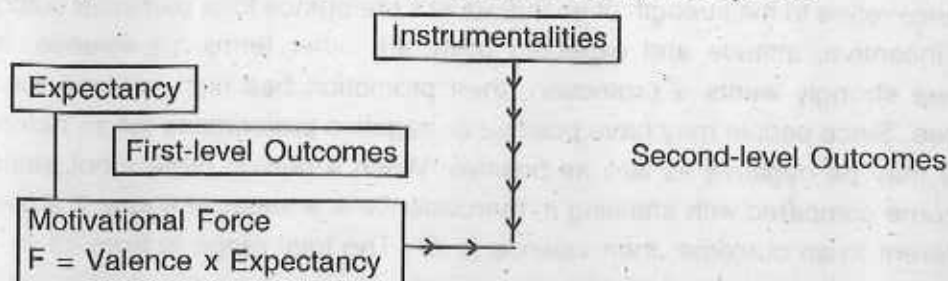
The first-level outcomes resulting from behaviour are those associated with the work itself. Such outcomes include job performance, productivity, absenteeism and turnover. Second-level outcomes are the rewards which first-level outcomes are likely to produce such as money, promotion, group acceptance and fringe benefits.

Suppose an individual desires promotion and feels that superior performance is a strong factor in achieving that goal. His first-level outcomes are superior performance and second-level outcome is promotion.

The key to expectancy theory is the understanding of an individual's goals and the linkage between effort and performance, between performance and rewards and finally between rewards and individual goal satisfaction.

The expectancy theory is a contingency model. It recognizes that there is no universal method for motivating people. Because we understand what needs an employee seeks to satisfy does not ensure that the employee himself perceives high job performance as necessarily leading to the satisfaction of the needs. If Mr. Gupta desires greater group acceptance, it is possible that more money will not be important. More money cannot necessarily satisfy his social needs.

The Figure 1.2 below depicts the Vroom's theory at a glance.



The expectancy theory highlights the following issues :

- (1) It emphasises rewards. As a consequence, we have to believe that the rewards the organisation is offering align with what employee wants. It is a theory based on self-interest wherein each individual seeks to maximise his expected satisfaction.
- (2) We have to be concerned with the attractiveness of rewards which requires an understanding and knowledge of what value the individuals puts on organisational rewards.
- (3) Expectancy theory emphasises expected behaviours. Does the person know what is expected of him—and how he will be appraised ?
- (4) The theory is concerned with expectations. It implies that the manager should counsel subordinates to help them grasp the subordinate in developing those skills that the important in leading to better performance.

From the management standpoint, the implications of the expectancy model are two-fold. First, it is important to determine what needs each employee seeks to satisfy. This knowledge will be valuable to management in its attempt to align the rewards made available to the employee with the needs that the employee seeks to satisfy. Since rewards which are valuable to some employees may not be considered appealing to others, it is necessary to individualise rewards to each employee.

Secondly, management should attempt to clarify the path for the worker between effort and need satisfaction. Individual motivation will be significantly determined by the probabilities the worker assigns to the following relationships.

Effort leading to performance,
Performance leading to rewards,
and these rewards satisfying personal goals.

The expectancy model is only partially predictive because there appear to be other important variables that are not included. It does not explain all that happens in a real situation, but it does apply in many situations. The success of the expectancy model in a variety of situations shows that it is useful, even though its applications at times may be weak.

The Vroom model indicates only the conceptual determinants of motivation and how they are related. It does not provide suggestions on what motivates organisational members, as did the Maslow, Herzberg and Alderfer models. Though the Vroom model does not directly contribute much to the techniques of motivating personnel in an organisational behaviour, it is of value in understanding organisational behaviour. For example, it shows clearly the relationship between individual and organisational goals.

VII. The Porter-Lawler Model :

The content theories implicitly assume that satisfaction leads to improved performance and that dissatisfaction detracts from performance. The Herzberg model is a theory of job satisfaction but still it does not deal with the relationship of satisfaction to performance. The Vroom model also avoids the relationship between satisfaction and performance. It was not until Lyman Porter and Edward Lawler refined and extended Vroom's model that the relationships between satisfaction and performance was dealt with directly by a motivation model.

Porter and Lawler start with the premise that motivation (effort or force) is not equal to satisfaction and/or performance. Motivation, satisfaction and performance are all separate variables and relate in ways different from what was traditionally assumed. Porter-Lawler model is multivariable model used to explain the complex relationship that exists among motivation, performance and satisfaction. The Porter-Lawler model points out that effort (motivation) does not directly lead to performance. More important is what happens after the performance. The rewards that follow and how these are perceived will determine satisfaction. In other words, the Porter-Lawler model suggests that performance leads to satisfaction.

Like the Vroom model, the Porter-Lawler model is an expectancy-based theory of motivation. Let us explain the major variables in the model.

Effort: Effort refers to the amount of energy exerted by an employee on a given task. Effort is not the same as performance, it is more closely associated with

motivation than with performance. It is roughly equivalent to the term force used by Vroom.

The value of a reward depends on its degree of attractiveness and desirability. Promotion, pay, recognition are assigned different values by different people. The perceived effort-rewards probability is the other major input into effort. This refers to the employees' perception of the probability that differential rewards depend upon differential amounts of effort. These two variables—the value of reward and the perception of effort-reward probability determine the amount of effort that will be exerted. If workers place a high value on a reward, and if they perceive a high probability that their effort will lead to this reward, then they will exert a great amount of effort.

Performance : Performance can be measured objectively. Efforts cannot be equated with performance. Performance depends not only on the amount of effort exerted but also the persons' abilities and the way they perceive the role they should take. The way of job is defined, the direction of efforts, the direction and level of efforts thought to be necessary for effective performance, all go into the role perception. Thus, if an employee has little ability and an inaccurate role perception, even though the employee exerts a great amount of effort, the resulting performance will not be very high.

Rewards : Rewards are of two types—intrinsic and extrinsic. Both are desirable outcomes but Porter and Lawler feel that the intrinsic rewards are much likely to produce attitudes about satisfaction that are related to performance.

Satisfaction : Satisfaction is an attitude of mind and it is not the same as motivation. In the Porter-Lawler model, satisfaction is only one of the variables and is derived from the extent to which actual rewards fall short, meet or exceed the person's perceived equitable level of rewards. If actual rewards meet or exceed perceived equitable rewards, the individual will be satisfied. On the other hand, if actual rewards are below what is perceived to be equitable, the individual will be dissatisfied. This explanation of satisfaction makes two important departures from traditional thinking about satisfaction. Firstly, the model recognises that satisfaction is determined only partly by actual rewards received. It also depends on what a person feels the organisation should reward for a given level of performance. Secondly, the model recognises that satisfaction is dependent on performance rather than performance is dependent on satisfaction. This runs counter to the traditional view of the satisfaction performance relationship.

Although the Porter-Lawler model is more applications-oriented than the Vroom model, it is still very complex. The model recommends that practicing managers

should go beyond traditional attitude measurement and attempt to measure variables such as the values of possible rewards, the perceptions of effort-rewards possibilities and rule perceptions. These variables definitely help managers better understand what goes into employee effort and performance. Giving attention to the consequences of performance Porter-Lawler model also recommended that organisations should re-evaluate their current reward policies. It emphasises that management should make a concentrated effort to measure how closely levels of satisfaction are related to levels of performance. The Porter-Lawler model has definitely made a significant contribution to the better understanding of work motivation and the relationship between performance and satisfaction, but till now it has not had much of an impact on the practice of human resource management.

Equity Theory of Work Motivation :

Only recently the equity theory as a process of motivation received widespread attention in the organisational behaviour. This theory has been developed by J. Stacy Adams. This theory argues that a major input into job performance and satisfaction is the degree of equity (or inequity) that people perceive in their work situation. This is another cognitively based motivation theory and Adams shows a specific process of how this motivation occurs.

Using the terms "person" (any individual) and "other" (any individual with whom person is in exchange relationship or with whom person compares himself) > Adam states that inequity exists for person whenever he perceives that the ratio of his outcomes to inputs and the ratio of other's outcomes to other's inputs are unequal..

Inequity occurs when :

Person's outcomes		Other's outcomes
Person's inputs	<	Other's inputs
Person's outcomes		Other's outcomes
Person's inputs	>	Other's inputs
Person's outcomes		Other's outcomes
Person's inputs	=	Other's inputs

Age, sex, social status, organisational position and how hard the person works are example of input variables. Outcomes would be rewards such as pay, status, promotion etc. The ratio is based upon the person's perception of what the person is giving (inputs) and receiving (outcomes) versus the ratio of what the relevant other is giving and receiving. If the person's perceived ratio is not equal to the other's, he will strike to restore the ratio to equity. This striving to restore equity is

the work motivation. The strength of this motivation is in direct proportion to the perceived inequity. Such motivation may be expressed in several forms. To restore equity, the person may change the inputs or outcomes, distort the inputs or outcomes, or leave the field.

Attribution Theory and Locus of Control :

The attributions people make and the locus of control they perceive have emerged as important explanations of work motivation. Unlike other motivation theories, attribution theory is more a theory of the relationship between persons' perception and interpersonal behaviour than it is a theory of individual motivation. Kelly argues that it is mainly concerned with the cognitive processes by which an individual interprets behaviour as being caused by (or attributed to) certain parts of the relevant environment. It is concerned with the "why" questions of motivation and behaviour. Since most causes or attributes are not directly observable, people must depend upon cognitions, particularly perception. It is assumed that man is rational, and are motivated to identify and understand the causal structure of their relevant environment.

The theory is associated with the name of Fritz Heider who believes that both internal forces like ability and effort and external forces such as rules combine to determine behaviour. It is the perceived, not the actual determinants, that are important to behaviour.

Using locus of control, work behaviour can be explained how employees perceive their outcomes as controlled internally or externally. Employees who perceive external control feel that some external forces control their outcomes. Employees who perceive internal control feel that they can personally influence their outcomes through their own effort.

Works Motivation Theory at a Glance

Content Models

Scientific Management

Human Relations

Maslow

Herzberg

Alderfer

Process Models

Vroom

Porter-Lawler

Adams

Kelly

DISCIPLINE

Discipline is manifested by orderly behaviour of the employees. Orderly behaviour is possible when the employees follow the company policies strictly as laid down by

its rules and regulations. Disciplinary action is initiated against an employee who violates the rules of the company.

The purpose of disciplinary action are the following :—

- (i) To enforce rules and regulations.
- (ii) To award punishment for the offence committed.
- (iii) To set an example to others to strictly follow rules.

When an employee is dissatisfied with the management, he will initiate what is called a grievance procedure for the redressal. Similarly, when the management is dissatisfied with an employee, disciplinary action is initiated to correct the situation. Thus discipline and grievances are the two sides of the same coin—management or employee dissatisfaction.

Importance :

Importance of discipline in industry can hardly be overemphasised. Orderly behaviour is essential for achieving the organisation's objective. Without discipline no enterprise would prosper. If discipline is necessary even in a family which is a compact homogeneous unit, how can an industrial organisation with heterogeneous people, work smoothly without discipline ? What the management has to do when the employee is at fault, is to take disciplinary action. Discipline should be directed against an act and not against the person. Discipline is said to be good when employees follow willingly the rules of their supervisors and the various rules of the company. Discipline is said to be bad when employees either follow rules and regulations unwillingly or actually disobey them. Poor discipline suggests the need of correction. The fundamental reason for taking disciplinary action is to correct situations that are unfavourable to the company. 'Basically, discipline is a form of training. When disciplinary problems arise, it may be as much management's fault as the workers'. Many disciplinary problems grow 'out of management's failure to inform employees what is expected of them.

The word 'discipline' has unpleasant associations with punishment but with the addition of the 'just cause' concept involving a limitation on the employer's right to discipline and discharge, the word has been extended to embrace a system of training and education of both the employee and his supervisor, designed to achieve orderly conduct.

The keystone of just cause is the principle of "corrective" or "progressive discipline" that is, the misconduct must be handled under a system of warnings and graduated penalties which gives the employee time to reflect upon his errors and mend his ways before the final act of discharge, when efforts at correction have failed.

Objectives of Discipline :

Discipline is essential for the smooth running of an organisation, for the maintenance of industrial peace which is the very foundation of industrial democracy. Without discipline, no enterprise would prosper.

The aim of discipline is to obtain a willing acceptance of rules and regulations of an organisation so that organisational goals may be attained.

As a system of orderly conduct, modern industrial discipline has many benefits for the employer and the employee alike. It enhance efficiency and reduces costs. Absenteeism and employee turnover are minimised. Equipment is given better care and scrap losses decline. The employees gain a sense of security and safety. They work without fear of unfair penalty for misconduct which they could not reasonably be expected to prevent. Their self-respect and respect for the company is preserved.

Two different attitudes towards discipline are in action today—the autocratic and democratic. Autocratic type of discipline is enforced by constant supervision by the superior and threats of punishment. The trouble with this type of discipline is that it does not take into account the desires of those commanded, it appeals only to the fear motive and not to other positive motives and also requires constant supervision.

The new method of discipline is defined as an orderly conduct of affairs by members of an organisation who adhere to its necessary regulations even if they desire a harmonious co-operation with the ends of the group and willing recognition that to do their own wishes must be brought to reasonable union with the requirements of group in action.

The statement that "discipline is what the leaders make it" is the observation of Fayol on managerial responsibility for discipline. A manager who shirks this responsibility is failing in his duty to manage. In many cases, indiscipline stems from the managerial faults and lapses. Even where indiscipline results from the faulty attitudes and behaviour of subordinates, the responsibility lies with the manager because of his power of influencing, controlling or eliminating their attitudes. The Government of India has prescribed model Standing Orders to cover disciplinary procedures.

Self-discipline :

The best discipline is self-discipline. Generally, if workers feel that the rules by which they are governed are reasonable, they will willingly observe them. Rules are respected not for fear of punishment but for their reasonableness and legitimacy. With the development of the human-relations approach in industry, increasing attention is being given to employees as individuals. The human—relations approach lay

emphasis on developing sanctions from within in contradistinction to the traditional viewpoint which believes in controlling the worker from outside. According to the new approach, a sense of responsibility is inculcated amongst the employees by means of increased participation, delegation and job enlargement.

Discipline is required only when all other measures have failed. Management should ideally try to establish what has been called 'positive discipline', an atmosphere in which subordinates willingly abide by rules which they consider fair. In such an atmosphere the group may well exert social pressure on wrong-doers and reduce the need for 'negative' (i.e., punitive) discipline.

Since disciplinary action involves penalties and since dealing out penalties has dangerous implications, management must fully know when, why, how and to whom the disciplinary action should be taken. Only then this action will gain its purpose with a minimum loss of employee goodwill. Even when the conduct of an employee deserves punishment, he accepts it with some amount of ill-feeling. However, to forgo punishment when it is due is to invite trouble and to inflict punishment when it is not due is doubly dangerous.

Most people prefer an orderly atmosphere in which to work. If management does not deal effectively with those who violate rules, the disrespect for order will spread to the employees who would otherwise prefer to comply.

Disciplinary action in most companies is taken by line-executives. Personnel people are not the "axe men". Occasionally, the personnel department is made responsible for taking final action on such serious penalties as discharge of workers. In any case, the personnel department has a heavy responsibility to aid all executives in taking disciplinary action.

Negative Discipline :

Traditionally, supervisors have thought of discipline in a negative sense, i.e., only as punishment. Many executives still see discipline primarily as a means to enforce external demands for responsible behaviour. They do not place any reliance on spontaneous self-discipline. Instead they expect orderly behaviour to depend primarily on fear of penalties. Thus they exercise discipline as punishment partly as deterrent and partly as a retributive justice. However, the ideal of discipline is to supplement and strengthen self-discipline within each individual and within the work group. Any act of clear disobedience shall be considered ground for disciplinary action. The type of correction depends upon the cause of poor discipline. If the attitude is unfavourable because the company is at fault, the action to be taken involves the removal of the cause and convincing the employee of the desire of the company

to be fair. As already said, when the unfavourable attitude of the worker is due to his fault, the action to be taken is known as 'disciplinary action'. Now the question is, how severe the penalty should be. Many companies have provided, what is called 'progressive' or corrective discipline, which calls for increasingly severe penalties each time a man is disciplined.

Disciplinary action has two major aspects—the employee is at fault because of some failing of his own and some form of penalty is to be applied. In handling disciplinary cases, the two major aspects—the steps to be taken and the principles to be followed in each step—should be carefully observed.

New Concept of Discipline : The Hot-Stove Rules :

Inflicting discipline puts the supervisor in an anomalous position. He expects his subordinates to continue to help him even when discipline is painful. The question is, 'Can he impose discipline without generating resentment ?' Douglas McGregor thinks that it can be done by what he called the 'hot-stove rule'. This rule draws an analogy between touching a hot-stove and undergoing discipline. When you touch a hot-stove, your discipline is immediate, with warning, consistent and impersonal.

Let us look at these four characteristics as applied to discipline. When Mr. X burns his hand, he is angry with himself. Sometimes he is angry with the stove too, but not for long. He learns his lesson quickly because :

- ★ the burn is immediate
- ★ he had warning
- ★ the discipline is consistent and anyone who touches the stove is burnt
- ★ the discipline is impersonal—a person is burnt not because of who he is but because he touched the stove.

The person is disciplined not because he is bad but because he has committed a particular act. The discipline is directed against the act, not against the person. There will still be resentment against the source of the discipline, but the more automatic the discipline becomes, the more the resentment is reduced.

Grievance Settlement :

Employee grievance are situations in which the employees are dissatisfied with the company. The subject of grievance should be discussed under the following headings—(1) Basic Considerations of grievance handling, (2) Steps in handling grievances and (3) Principles of handling grievances.

Basic Considerations :

Grievance refers to any discontent or dissatisfaction, whether expressed or not and whether valid or not, arising out of anything connected with the company that an employee thinks, believes or even feels, is unfair, unjust or inequitable.

Grievances have considerable significance as harbingers of industrial disputes. Unresolved grievances can become industrial disputes that is why grievances are considered to be tips of the iceberg on industrial conflict. Grievances can be described as "embryonic" disputes which need to be resolved at the earliest opportunity.

The three cardinal principles of grievance settlement are—settlement at the lowest level, settlement as quickly as possible and settlement to the satisfaction of the aggrieved.

In the first place, in handling grievances, stress must be laid either on the causes of trouble or upon the resulting trouble. If an employee is disgruntled because he was not given a due promotion, some may call the unreceived promotion the grievance, whereas others may call the disgruntled attitude the grievances. Secondly, a grievance arises out of something connected with the company. Something in the company, either its activity or supervision or policy may be the source of a grievance. Thirdly, discontent and dissatisfaction may be expressed or implied. However, most companies recognise as grievances only those that are expressed in writing.

Channels of handling grievances should be carefully developed and its information should be disseminated amongst the employees. It is necessary that employees know the channels through which they ventilate grievances. There are two procedures for the settlement of grievances—open door policy and step-ladder procedure. Some companies have an informal and open-door policy for grievance handling and employees are free to go up to the top level executives with their grievances for redressal. In large companies, open door policy is not suitable. Consequently, most companies have introduced a step-ladder procedure for the settlement of grievances. Under this procedure an aggrieved employee will first present his grievance to the first-line supervisor. In other words, a grievance should be dealt with in the first instance at the lowest level. If it is settled there to the satisfaction of the aggrieved employee, the matter will end there. In case he is not satisfied with the decision of the supervisor, the employee with grievances will go to the next higher authority—the departmental head. Even if the grievances of the employee is not settled at this stage, provision must be there for a third step in handling grievances. At the third stage, a joint grievance committee reviews the grievance. Employees failing to get satisfaction even at this stage should have ready access to the chief executive of the company. The top executive of the company is established as a final court of

appeal. In most of the procedures, the personal officer does not form a step but his assistance is available for handling grievances. In handling grievances, management should avoid, as far as possible, the legalistic approach because constant reference to standing orders might complicate the case.

3. Employer-Employee Relations :

Industrial relations or employer-employee relations as being synonymous with employee relations may be defined as the relations between employers and employees in industry. According to Encyclopedia Britannica, the industrial relations include individual relations and joint consultation between employers and work people at the place of work, collective relations between employers and the organisations, and the trade unions and the part played by the State in regulating these relations. Thus : (i) Industrial relations include individual relations in an industry ; (ii) The collective relations between employers and labour (trade) unions and (iii) The role of the Government in the regulation of these relationships ; (iv) Besides these, there is the international aspect, particularly in terms of the influence exercised by certain international bodies like the ILO in shaping and developing the pattern of industrial relations in several countries ; (v) In order that the term 'industrial relations' covers every sector of the labour force in all parts of the world, the International Institute of Labour Studies has defined it as 'social relations in production'.

Industrial relations is an art, the art of living together for the purposes of production. The emphasis is on the process of accommodation whereby the parties involved develop skills and methods of adjusting to and co-operating with each other.

The term 'industrial relations' or 'labour management relations' or employee relations is difficult to define precisely because it is too complex. This is particularly so in a democratic society which allows freedom of action to the workers and their organisations and to the employers and their organisations and a series of laws are enacted to regulate their relations. In a totalitarian country trade unions are banned, as in Germany under Hitler or Italy under Mussolini. But even such a society has to enact laws to provide an acceptable relationship between the industrial employer and employees. In a Communist country where all persons employed are workers, industrial relations cannot result in any form of industrial action. But changes are taking place even in the so-called Communist countries ; the upsurge of industrial workers in Poland and Yugoslavia are cases to point.

There is no uniform pattern of industrial relationship even in democratic societies. However, there are standards of industrial relationships which are contained in the Philadelphia Declaration of the ILO (1944) embodied in the series of Conventions

and Recommendations evolved in the ILO conferences in which most of the democratic countries of the world participate. If a country ratifies a convention, its national laws have to conform to it. In fact, most of India's labour legislation after independence has been influenced by such conventions and recommendations.

There is no uniform pattern that can be prescribed for nations. The kind of industrial relations required to ensure harmony and co-operation will depend on a number of factors including the form of ownership of industry that prevails, the state of technology that is utilised, the state of techniques and relations of production in that society, the nature and character of the Government, the views of the Government in relations to its own role, the instruments that the society has at its disposal to formulate public opinion, the socially—accepted concept of sanctions in the field of industrial relations and the socially accepted limitations on the use of action in the industrial field—whether it be by the employer or the employee.

Following Robert W. Cox enumeration of the patterns of relationship may be as follows :

- (1) The peasant-lord system (in industrial employment it represents master-servant relationship).
- (2) The primitive market system.
- (3) A small manufacture system (the beginning of industrial revolution where workers are getting slowly organised).
- (4) The lifetime commitment system as in Japan where there is lifelong employment.
- (5) A bipartite system of which collective bargaining is the main function as in USA and other democratic countries.
- (6) A tripartite system in which are Government also plays an important role in labour management relations as in India.

Functions :

Industrial relations system fulfills at least three major functions. Firstly, it defines the relative rights and responsibilities of workers, managers and the state and establishes the power relationships between them. Secondly, it channels and controls the responses of workers and managers to the dislocation, frustrations and insecurities inherent in the industrial process. Thirdly, it establishes the network of rules—both substantive and procedural which govern the workplace and work community. In short, the industrial relations system provides the structure and the machinery for the functional relationship between the managers and the managed in any industrial society.

There are three basic approaches to labour management negotiations—unilateral, bipartite and tripartite. In the unilateral approach, the employer alone decides the terms and conditions of employment for his workers. In the bipartite approach, the employer negotiates with his workers. This is collective bargaining. In the tripartite approach, a third party—the Government also participates in the negotiations.

Objectives of Industrial Relations :

The objectives of industrial relations are as follows :

- ★ To maintain and develop good employer-employee relations.
- ★ To maintain industrial peace.
- ★ To safeguard the interests of labour and management.
- ★ To avoid as far as possible, industrial conflicts.
- ★ To establish industrial democracy.
- ★ To help the economic development of the country.
- ★ To encourage collective bargaining as a means of self-regulation.
- ★ To help maintain discipline amongst workers.
- ★ To help Government in making laws.
- ★ To help union and management to develop constructive attitudes to one another.

Approaches to Industrial Relations :

Industrial relations which refer to the formal processes of consultation and negotiation are as old as industry and being inherent in industry, will always remain as a feature of industrial life. The participants in it are mainly three—the workers and their organizations, the employers and their associations and the agencies of the Government. The participants should build up a stable, workable relationship among themselves and provide for the people a constant flow of consumption goods. The sectional groups in society sacrifice its broader interests to further their own ends and the conflict between the two assume the shape of industrial unrest. The agencies of Government which is the custodian of the interests of the interests of the community as a whole, play a significant role in shaping the pattern of relationships in the industrial setting. Industrial relations are collectively conducted between the workers and the employers through collective bargaining.

In the pre-industrial society, productive work was mostly organized on a small scale. Workmen frequently owned the simple instruments which they needed for their work. Hence, they either worked on their own or offered services to others with

whom they would have direct and personal relations. With the advent of modern industrialisation, work organizations have undergone a basic transformation in terms of the scale of activity.

Modern industrial work has the following peculiarities :

- (i) Industrial work is a group work. It brings together a large number of workers who work for the employer with whom they have scarcely any personal relationship. What is possible between them is a collective relationship. The other significant aspect of this feature is the relations among the workers themselves. Some leaders come up from among the workers and they wield considerable power.
- (ii) It involves division of labour. A worker seldom makes a complete product. Work is fragmented and repetitive. The worker spends the best part of his life at the work place but his work does not interest him.
- (iii) Industrial work is carried on under the control and direction of the employer. The workers do not own the instruments of production. They have only their services to offer to employers who own the instruments of production. As a result, workers have lost their freedom as independent producers.
- (iv) Lastly, industrial work is wage work. Employers buy and workers sell their services. The buyer wants labour to be more productive and the sellers want it to be more rewarding.

Scope of Industrial Relations :

From the definition and nature of industrial relations, it is not difficult to have an idea of the scope of industrial relations. Industrial relations refers to the continuing relationship that emerges out of the day-to-day association between labour and management. There are two important aspects of such relationship :

- (I) Relations between individual workers and managers called personnel relations.
- (II) Collective relations between labour unions and management called labour relations or labour management relations. The patterns of labour management relations is shaped by state interventions.

It also includes the study of :—

- ★ Industrial co-operation
- ★ Industrial conflict
- ★ Workers' organizations
- ★ Employers' organization

★ Industrial Discipline

★ Labour Legislation

Evolution of Industrial Relations :

In India when the doctrine of laissez-faire prevailed, workers were at a great disadvantage as they contracted themselves with their employers. They were exploited— they received low wages and worked long hours in miserable physical conditions of work. The relationship between unequals inevitably resulted in the exploitation of the weak by the strong. This exploitation sowed the seeds of dissatisfaction and bred protest. Therefore, workers got together and formed trade unions ; they built up their organizations to mobilise their own power. In the sphere of collective relationship trade unions emerged for the protection and furtherance of the workers' interests, for the worker individually could not take up his own cause effectively with the employer.

As the industrial units grew large, their ownership was increasingly divorced from management and a new managerial group was interposed between the owners/ employers and the rank and file of workers.

The other important aspect of industrialisation is the formation of employers' associations to safeguard and promote the interest of their members through collective action.

The basic inequalities of the contracting parties in the employment relationship have called forth intervention by a third party, i.e., the State in favour of the weaker section to ensure fair treatment to all concerned. The major instrument with the Government is legislation whereby norms to regulate the relationship between the two parties are specified and enhanced through the apparatus created for the purpose. The Government is prompted to influence the relationship between the employers/ management and the workers and their trade unions, for it has the responsibility of satisfying the economic needs of the community. Therefore, the major influence in the field of industrial relations are the workers, the management and the Government. They play their roles, act and interact and evolve a process to regulate employment relationship.

Upto the last 20's of the 20th century, the employer-employee relationship in India was practically that of master and servant. The British Government followed a policy of laissez-faire and regarded the problem of industrial relations mainly from the point of view of law and order. Policy of the Government was to protect the social system from workers rather than to protect workers from the social system.

Workers were hired and fired as the principle of demand and supply governed industrial relations. The employer was in a commanding position and the conditions of employment and wages were very poor.

In the decades following the First World War, the mounting industrial unrest and political excitement within the country, the Soviet Revolution, the establishment of the ILO and the rise of the working class in Britain made the Government conscious of the danger and limitations of the prevailing policy.

After the First World War, the industrial relations concept assumed a new dimension in the sense that the workers now resorted to violence and employers to lockouts. There were numerous strikes and disturbances during 1928-29. As a result, the Government enacted the Trade Disputes Act 1929, to expediate the early settlement of industrial disputes. With the passing of the Trade Disputes Act in 1929, State intervention in the settlement of industrial disputes started. The Act vested the Government with powers which could be used whenever it considered fit to intervene in industrial disputes. It provided for only ad-hoc conciliation boards and courts of enquiry. The Amending Act of 1938 authorized the Central and Provincial Governments to appoint conciliation officers for mediating in or promoting the settlement of disputes. The Act, however, was not used extensively as the Government policy at that time continued to be one of Laissez-faire and selecting intervention at the most.

The defects of the Trade Disputes Act 1926, were to a certain extent removed by the Industrial Disputes Legislation passed in Bombay in 1934 and 1938. The Bombay Trade Disputes (Conciliation) Act 1934, introduced for the first time a standing machinery to enable the state to promote industrial peace. A permanent cadre of conciliations were envisaged for settling matters which fell within their jurisdiction. The scope of the Act was limited to selected industries. The experience of the working of the Act led to the enactment of the Bombay Industrial Disputes Act, 1938. The Act provides for (i) compulsory recognition of unions by the employer, (ii) giving the right to workers to get their case represented either through a representative union or where no representative union in the industry existed, through elected representatives of workers or through the Government Labour Officer ; (iii) the setting up of an industrial Court with original as well as appellate jurisdiction, to which parties could go for arbitration in case conciliation fails and (iv) prohibition of strike/lock-out under certain conditions.

During the Second World War the Government assumed emergency powers for the settlement of industrial disputes. In 1942, the Defence of India Rules was promulgated to meet the exigencies created by the war. Rule 81A gave powers to the appropriate Governments to intervene in industrial disputes, appoint industrial

tribunals and enforce the award of the tribunals on both sides. Under this Rule compulsory conciliation and adjudication were introduced.

After India attained independence, the Industrial Disputes Act was passed in 1947 which replaced the Trade Disputes Act 1929. This Act not only provides for the establishment of permanent machinery for the settlement of industrial disputes but also makes these awards binding and legally enforceable. With subsequent amendments, the ID Act still continues to be the main instrument for Government's intervention in labour disputes.

Another development in the post-independence period was the setting up of the Indian Labour Conference, a tripartite body to look into industrial relations problems. It was set up with the objective of establishing co-operation between the trade unions, employers and the Government. It met once a year to discuss problems relating to industrial relations.

Industrial Disputes Act, 1947, continues to govern industrial relations on the legislative side. On the voluntary side, the Code of Discipline in Industry (1958) and the Industrial Truce Resolution (1962) continued to have their impact on industrial relations in the country. The conciliation machinery set up under the ID Act, 1947 continues to play its role in bringing the parties together and exploring ways for promoting amicable settlements.

The ID Act provides for settlement of industrial disputes through conciliation and adjudication. The Act empowers the appropriate Government to appoint conciliation officers and/or constitute Boards of Conciliation to mediate in and promote settlement of industrial disputes. It also empowers the appropriate Government to refer disputes for adjudication by an industrial tribunal. The Act makes a distinction between disputes arising in public utility services and those in other industries and provides for compulsory conciliation and adjudication to resolve the former. Besides, the appropriate Government could constitute a Court of Enquiry to enquire into matters relating to an industrial disputes. Restrictions are placed on strike/lockout in public utility services :md during the pendency of conciliation and adjudication proceedings. The procedures and machinery provided under the ID Act have been modified from time to time in the light of the actual working of these provisions, the decision of the judiciary and the influence of the bipartite and tripartite agreements.

In 1957 the emphasis of Government's attitude towards labour shifted from legal enactments to voluntary arrangements. In fact, the period between 1957 and 1965 can be regarded as an attempt to move away from legalism to voluntarism which had tiorninated industrial relations in India. As a result, the Code of Discipline was introduced in 1958. It enjoins on parties to refrain from taking unilateral action on

industrial matters. But unfortunately, the Code has a limited success. As a result, the Government has to rely on legislation to regulate labour management relations.

Plan Policies :

The First Five Year Plan stressed the need for industrial peace for economic progress. While it wanted the state to arm itself with powers for intervention in labour disputes, the endeavour had to be to encourage mutual settlement, collective bargaining and voluntary arbitration to the utmost extent and thereby to reduce to the minimum, occasions for its intervention in industrial disputes and exercise of the special powers. Industrial relations must be so developed as to enable the worker to take a greater share in the working of the industry. The working of the Labour Appellate Tribunal came up for criticism in tripartite meetings and it was decided to abolish Labour Appellate Tribunal.

The Second Plan envisaged a marked shift in the industrial relations policy consequent on the acceptance of the socialist pattern of society as the goal of planning. It emphasized mutual negotiations as the effective mode of settling disputes. Among the other recommendations in the Plan were demarcation of functions between works committees and unions, and increased association of labour with management. The Labour Appellate Tribunal was abolished in 1956 and a three tier system of original tribunals—labour courts, industrial tribunals and national tribunals were brought into force.

The 15th Session of the Indian Labour Conference took note of these developments and the Second Plan recommendations had sought to evolve steps for their implementations. The Code of Discipline and Code of Conduct were drawn up and arrangements were made to educate workers.

The Third Plan did not suggest any major change in policy. It emphasized the economic and social aspects of industrial peace and elaborated the concept that workers and management were partners in a joint endeavour to achieve common ends. The voluntary arrangements agreed to in the Second Plan were strengthened by the Industrial Truce Resolution, 1962, adopted in the wake of the Chinese aggression. The ID Act was amended in 1965 with a view to give an individual worker the right to raise a dispute connected with his discharge, dismissal, retrenchment or termination of service, even if the cause of the individual worker was not espoused by any union or group of workmen. The Fourth Plan has made no reference to industrial relations policy and therefore the policy formulated during the previous plan period will continue.

The Sixth Plan stated that healthy industrial relations on which industrial harmony is founded, cannot be regarded as a matter of interest only to employers and workers but also of vital concern to the community as a whole. Further in the ultimate analysis, the problem of industrial relations is essentially one of attitudes and approaches of the parties concerned. A spirit of co-operation stipulates that employers and workers recognise that while they are fully justified in safeguarding their respective rights and interests, they also bear in mind the larger interests of the community. This is the real significance of doctrine of industrial harmony in its three dimensional aspects.

The Industrial Disputes Act, 1947 has been the main legislative frame-work which has provided the machinery and procedure for the settlement of disputes through mediation, conciliation, arbitration and adjudication. Steps were also taken in the past to provide a voluntary approach to industrial relations through Codes. A general feeling has developed that the existing arrangements have not proved effective in presenting disputes and promoting settlements. Since the submission of the report of the National Commission on Labour efforts have been made for evolving a new and comprehensive industrial relations legislation but these have not succeeded on account of the divergence of approaches among the trade union organisations on certain basic issues such as the machinery and procedure for settlement of disputes, the criteria and procedure for recognition of trade unions i.e., whether the representative character of trade unions should be determined through verification of paid membership of contending unions or through secret ballot; right to strike in essential industries including public utilities, role of government in regulating industrial relations etc. While efforts must continue to minimise the areas of disagreement among the parties concerned and acceptable improvements in law and machinery effected, some of the changes in the existing laws on trade unions, industrial disputes and standing orders, which are generally considered essential for promoting industrial relations, need not be held over and should be carried out. These changes would help in streamlining the existing procedures and securing speedy justice to workers. The question of providing security of service to such categories of employees who are at present outside the ambit of labour laws also needs consideration.

It has been stressed that if the huge investments during the Five Year Plans are to yield the desired results, certain important measures cannot be delayed for long ; e.g., the core sector including power, energy, coal, steel and transport needs to be insulated against uncertainties of the industrial relations situation to the maximum extent possible. If adequate consultative machinery and grievance procedures are evolved and made effective, strikes and lockouts can become redundant in these industries. In other areas also strikes and lockouts should be resorted to only in the

last stage. Effective arrangements should also be made for the settlement of inter-union disputes and to discourage unfair practices and irresponsible conduct.

Present Policy to Industrial Relations :

The Code of Discipline was evolved at the Indian Labour Conference in 1958 requiring employers and workers to utilise the existing machinery for the settlement of disputes. It was accepted by all the Central Organisations of employers/workers and several others. Under the Code of Discipline, the implementing organisations assist in settling disputes pertaining to Central and State affairs. The Central Organisations of employers, workers and public sector undertakings excluding the All India Trade Union Congress in this context have set up committees for screening cases.

Screening procedure has been evolved to check prolonged litigation by the public sector undertakings in filing appeals in industrial dispute cases on which an award or a judgement has been given by an Industrial Tribunal or a Court. Under this procedure, only after obtaining the concurrence of the concerned administrative Ministry on the Law Ministry on the need for filing an appeal by the public sector undertakings on an award of judgement of the Labour Court/Tribunal etc., the case is referred to the Labour Ministry. In case the Labour Ministry and the concerned administrative Ministry do not agree, the matter is placed before the committee of economic secretaries.

The layoffs, retrenchments and closures are regulated under the provisions of the ID Act, 1947. The Government has taken steps to further regulate layoffs, retrenchments and closures through the Industrial Disputes Amendment Act of 1982 and 1984. Accordingly under the Act, any worker who has completed not less than one year of continuous service is entitled to a minimum amount of compensation for retrenchment/ closure.

State and Industrial Relations :

The concern of the state in labour matters emanates as much from its obligations to safeguard the interests of workers and employers as to ensure to the community the availability of their joint product/service at a reasonable price. The extent of its involvement in the process is determined by the level of social and economic advancement, while the mode of intervention gets patterned in conformity with the political system obtaining in the country and the social and cultural traditions of its people. The role of the State in regulating labour conditions will be different in a democratic set-up from that in a society which has a dictatorial government. In the former, the approach of the State will be consistent with what the will of people demands. The degree of State intervention is also determined by the stage of

economic development. In a developed economy, work stoppages to settle claims may not have as serious consequences as in a developing economy. Likewise, a free market economy may leave the parties to settle their relations through strikes and lockouts. But in other systems, varying degrees of State participation will be required in the building up of industrial relations. However, in all countries the State has assumed powers to regulate labour relations. In some, it has taken the form of laying down bare rules for observance by employers and workers, in others, the rules cover a wider area of relationship and there is equally greater supervision over the enforcement of the rules.

Some International Practices :

In the USA, the State has confined itself to enacting legislation for ensuring the workers' right to organise and bargain collectively and has constituted an independent authority to administer and interpret legal provisions and decide on complaints regarding unfair labour practices. Intervention of the State in industrial disputes is limited to actual work stoppages which could impair the national economy. But even within this area of State intervention, a wide latitude is given to the parties for settling their differences. The Government does not envisage direct interference in the process of collective bargaining.

Legislation has been introduced in the USA to cover a wide-range of aspects of industrial relations and although it would be an exaggeration to claim that industrial negotiations are solely the province of lawyers, legal profession comes close to dominating the scene. The National Labour Relations or Wagner Act of 1935 govern collective bargaining ; the National Labour Relations Board can determine who shall have bargaining rights and issue over which they may bargain. The Labour Management Relations or Taft-Hartley Act of 1947, made collective agreements legally enforceable, introduced the concept of a 'cooling off period' (during which strike action has to be suspended), enabled a district court to issue an 80-day injunction against a strike or lockout which was causing a national emergency, regulated the internal affairs of trade unions and provided protection for workers who refused to join a union. The provisions in the Taft-Hartley Act concerning the internal affairs of trade unions were extended to the Landrum-Griffin Act of 1959.

In the UK, the industrial relations system has been marked by the primacy of free collective bargaining between the parties.

Many writers have argued that prior to the 1960s, UK has a 'voluntary' system of industrial relations. The objective 'voluntary' means that the State plays no part whatsoever in industrial relations. If voluntary system of industrial relations means the absence of State intervention of any kind, the British system has never been

voluntary. The State in Britain has always intervened on certain issues. For example, the State has intervened through the Factory Acts (1961), and associated legislation (such as the Mines Acts and the Offices, Shops and Railways Premises Act). These regulate working conditions by laying down rules for the notification of accidents and industrial diseases, the provision of proper ventilation, sanitation and maximum hours of work.

Another example of Government intervention in industrial relations in UK prior the 1960s can be seen in the field of wage regulation. The Trade Boards Act of 1909 set up trade boards for some trades where wages were so low and conditions of employment so poor that they had attracted universal condemnation. The boards were empowered to fix statutory minimum wage rates which were backed by an official inspectorate and the threat of legal penalties. Today the functions of trade boards are carried out by wage councils set up in 1945.

The assertion that UK had a voluntary system of industrial relations does not imply that the State has not taken an interest in or intervened in industrial relations in UK ; rather it implies that the State has played a restricted role and has tried to keep industrial relations and trade unions away from the courts.

The role of the State in British industrial relations changed in the 1960s. First, the State intervened more decisively in the area of wages and salaries, a move crystallised in the nation of 'incomes policy'. Second, Government's attempts to introduce the law more centrally into collective bargaining, conciliation and arbitration. The Industrial Relations Act, 1971 marks the high point of this policy.

The Australian system has had a long tradition of State regulation. The Government intervenes for the settlement of disputes. Collective bargaining in Australia is dominated by the law. Compulsory arbitration is not reserved for exceptional cases as in the USA, rather it is accepted as a normal part of industrial relations. So, collective bargaining, as it is understood in Europe, does not exist in Australia.

In Japan, the right to collective bargaining is guaranteed under the Constitution and the State has enacted legislation to promote collective bargaining. Direct state intervention is permissible in strikes which might jeopardise the national economy and public life. In other industrially advanced democratic systems, direct State intervention in industrial disputes is generally the exception rather than the rule.

In the former USSR, three important factors regulate the industrial relations system. First, the formation of a socialist society is characterised by the public ownership of the basic means of production. The building up of a workers' state makes the interests of labour and management non-antagonistic. Second, the operation of a centrally planned economy introduces its own constraints on labour

and management. However, recently increasing powers are given to local trade unions and individual enterprises to take decisions on matters of employment, wages and productivity. Lastly, the influence of a single political party in running the government and in organising unions makes it necessary for the unions to perform a double role. They have to help in carrying out party policy and look after production interests and at the same time assume the traditional role of unions in furthering the interests of labour.

In the three developing countries in Asia—Myanmar, Malaysia and Philippines, the concern of the State in industrial relations has been more marked. Besides laying down rules and procedures for the settlement of disputes, the State has provided arbitration machinery. In the last resort, Government has reserved to itself the right of making a reference to such machinery in cases where the public interest so demands or where a joint request is made by the parties.

Practice of India :

State intervention in India has assumed a more direct form. The State has enacted procedural and also substantive laws to regulate industrial relations. In the distant past, State intervention in labour matters was for protecting the commercial interests of the British rulers. Later, pressures from the public to guard the interests of workers in the face of difficulties created by the operation of the economic system prevailed. Since independence, State intervention in labour matters has been necessitated by larger need for the regulation of the economy with the focus on rapid overall growth. Apart from planned development, the requirements of the Welfare State envisaged in our constitution have been another important reason for State intervention.

Apart from the different roles played by the State, there are others which have a special significance in our context. The first is that of the State as an employer which has two aspects—direct employment of labour by the State and employment in industrial corporations constituted by the State. Handling of industrial relations in the case of its own employees, to whom all legislation framed from industry is applicable, falls in this category. This function of the State as an employer has been there over a very long period. To this was added another when, as a matter of policy, it was decided to operate a mixed economy wherein industries were to be run by both private entrepreneurs and the State. The policy statements show that as an employer the State binds itself to the rules which it frames for private employers. Where standards of good employment are disparate, the State seeks to set standards with a view to influencing the employers in the private sector. While this is the policy, in practice, it so happens that there is a fair amount of interaction between what the

employers do for their employees in the two sectors. And this interaction is influenced by the new consciousness among the workers and ease of communication within the working class.

The second role which the State has to play in our context is the outcome of its Federal Constitution, and the fact that labour is a subject in the Concurrent list for the purpose of legislation. It has been a tradition in the country for long that the Central Government assumes the responsibility of enacting legislation on many aspects affecting labour, whereas the State Governments look after implementation, though they can legislate on their own also. In either case, a considerable measure of consultation has been the rule.

It is obvious, therefore, that the State cannot be a silent spectator in the development of healthy labour practices. It has to play a role which the parties to a dispute find acceptable.

Industrial relations in India have been shaped largely by principles and policies evolved through tripartite consultative machinery at the industry and national levels.

Tripartite bodies like the Indian Labour Conference/Standing Labour Committee/Industrial Committees were set up for setting union norms to guide industrial relations. Tripartite meetings provide a useful forum of communication between the parties represented on them. They help in narrowing down differences among the three groups in reaching consensus over matter of common interest, in providing a forum for communication among the parties and in sharing the responsibility of Government in maintaining industrial harmony.

Industrial Relations Practice at the Plant-level in India :

There are six types of the prevailing patterns of industrial relations in India at the plant-level. These are :

- ★ Regulative (Standing Orders)
- ★ Consultative (Voluntary Jt. Consultation)
- ★ Preventive (Works Committee/Joint Committee)
- ★ Co-operative (Collective Bargaining Codes)
- ★ Conflictive (ID Act)
- ★ Participative (JMC).

By and large, the regulative and conflictive patterns in industrial relations seem to predominate at the plant-level in India. The positive patterns begin in consultation and culminate in participation via co-operation.

The regulative pattern marks the beginning of industrial relations. It is characterised by the application and administration of the Industrial Employment (Standing Orders) Act and the enforcement of Standing Orders.

The consultative pattern will begin only if both management and employees believe in voluntary joint consultation and bilaterally practice it within the framework of their terms of jurisdiction.

There is a provision for the preventive pattern of industrial relations illustrated by statutory bodies such as Works Committee and Joint Committee as machinery for the avoidance of problems of industrial relations. These are intended to prevent any industrial unrest and conflict and pave the way for the positive philosophy of cooperation in industrial relations reflected in collective bargaining.

Alternatively, the conflictive pattern is reflected in the working of the industrial disputes legislation as applicable to different industries in the country.

There is a long way to go from the regulative pattern to the participative pattern of industrial relations but this movement is essential for the progress of the country.

Symptoms of Industrial Unrest and Treatment at a Glance

Direct Action (Shock Therapy)		Negotiations (Group Therapy)	
Employees	Employers	Agreement (Failing)	Settlement (Above)
1. Slowdown	(i) Sitdown	1. Lay Off	
2. Stoppage	(ii) Tool down	2. Lock-out	Settlement
3. Strikes	(iii) Pen down	3. Closure	in Conciliation
4. Works to Rule	(iv) Wild Cat		
5. Gheraos	(v) Token/ Sympathy	Arbitration	Award
	(vi) Hunger	Adjudication	Award

Fig. 1.1

CONFLICT THEORY

Conflict theory is based on two interrelated views of society and of industrial relations between employers and employees. The first is that although Western industrialised societies are still class based, they are essentially 'post-capitalist' in

the sense that political and industrial conflict are increasingly institutionally separated within them and that industrial conflict has become less violent because its existence has been accepted and its manifestations have been socially regulated through agreed constitutional arrangements. The second view is that work organizations are microcosms of society. Since society comprises a variety of individuals and of social groups, each having their own social values and each pursuing their own self-interests and objectives, those controlling and managing work enterprise similarly have to accommodate the differing values and competing interests within them. It is only by doing this that private or public enterprises can function effectively. Industrial relations between employers and unions and between managers and trade unionists, are an expression of the conflict and the power relations between organized groups in society generally. As such, industrial conflict between managers and their subordinates has to be recognised as an endemic feature of work relationship and managed accordingly.

A major element in post-capitalist theories of contemporary society and industrial relations is the proposition that the nature of class conflict has substantially changed from that suggested by Marx in his nineteenth-century analysis. In Marxist theory, class conflict is perceived as being synonymous with industrial conflict and political conflict. Under market capitalism, Marxists argue, the capitalists or the owners of the means of production are identical with the ruling class in industry and politics, while wage-earners owning only their labour-resources, are relatively powerless in industrial relations and in politics. Capitalists are the social elite and the proletariat are the socially weak. What then, has changed according to post-capitalist analysis ?

First, we now live in a more open and socially mobile society compared with the class-based social divisions associated with nineteenth-century and early twentieth-century capitalism. The widening of educational opportunity, the democratization of politics, and the growth of public sector industry have opened up recruitment to a whole range of sought-after roles in society, including those within industry, politics, education, the professions, arts and so on, which would have been inconceivable a hundred years ago. Moreover, the creation of the welfare state, mitigated the worst effects of social deprivation, economic inequality and abject poverty.

Second, the distribution of authority, property and social status in society is more widely diffused than in the past. The positions which individuals occupy in the authority structure of industry, do not necessarily correlate with their positions in the political structure or with their social standing in the community. The village postal worker can become the local councillor, the school teacher a Member of Parliament and the trade unionist a Justice of the Peace. Similarly, the union convener within

the workplace might have potentially more industrial power than the senior management with which he negotiates. In other words, post-capitalists take the view that dominant and subordinate classes within industry need no longer necessarily correspond with the political or social divisions of society generally.

Above all, these theorists believe the institutionalization of conflict in industry not only has decreased in intensity but also has changed its form. Several changes seem to be of particular importance in this respect :

- (1) the organization of conflicting interest groups itself;
- (2) the establishment of 'parliamentary' negotiating bodies in which these groups meet;
- (3) the institutions of mediation and arbitration ;
- (4) formal representations of labour within the individual enterprises ; and
- (5) tendencies towards and institutionalization of workers' participation in industrial management.

Thus, the emergence of trade unionism, employers' organizations and collective bargaining, together with union representation at enterprise and workplace level, now effectively regulate the inevitable social conflicts arising between management and subordinates at work. Even where these conflicts seem irresolvable, third party intervention, usually through state agencies providing conciliation and arbitration services, is now available to provide workable remedies. By this analysis, extending worker participation in managerial decision making, as happens in board level worker representation in countries like Denmark, the Netherlands and Germany, is seen as a logical progression in institutionalizing the power relations between managers and subordinates at work. Post-capitalist society is viewed as an open society in which political, economic and social power is increasingly depressed and in which the regulation of industrial and political conflict are of necessity dissociated.

A second theoretical concept closely related to that of post-capitalism, and of central importance in the conflict theory of industrial relations, is 'pluralism'. According to Clegg, one of its major propounders :

Pluralism emerged as criticism of the political doctrine of sovereignty—that somewhere in an independent political system there must be a final authority whose decisions are definitive. Not so, said the pluralist. Within any political system there are groups with their own interests and beliefs, and the Government itself depends on their consent and co-operation. There are no definitive decisions by final authorities : only continuous compromises.

A plural society is a relatively stable one but not static. It has to accommodate to different and divergent pressure groups to enable social and political changes to take place constitutionally. This is achieved through negotiation, concession and compromise between pressure groups, and between many of them and Government.

It is from this analysis of political pluralism that industrial relations pluralism is derived. Just as society is perceived as comprising a number of interest groups held together in some sort of loose balance by the agency of the state, so work organizations are viewed as being held in balance by the agency of management. The pluralist concepts of political sovereignty and of managerial prerogative have much in common. Trade unions are viewed as the legitimate representatives of employee interests at work with the right to challenge the right to manage. There are also similarities between the processes of political concession and compromise, on the one hand, and of collective bargaining on the other. Above all, the pluralist argues, 'greater stability and adaptability is given to industrial relations by collective bargaining than by shackling and outlawing trade unions'. According to pluralist theory, the central features of industrial relations is the potential conflict existing between employer and employed and between management and managed within work enterprise. Unlike in unitary theory, however, trade unionism is accepted by pluralists as having both a representative function and an important part in regulating this conflict, rather than in causing it. Similarly, collective bargaining is recognized as being the institutional means by which conflict between employers and employees over the wage—work bargain, and its adaptation, is regularized and resolved. Industrial conflict, therefore, is accepted by pluralists not only as being inevitable but also as requiring containment within the social mechanisms of collective bargaining, conciliation and arbitration.

There is little doubt that the pluralist and post-capitalist analyses of industrial relations, with their emphasis on the twin virtues of collective bargaining and parliamentary democracy as separate but conflict-resolving and rule-making processes were the predominant academic orthodoxy in Britain during the 1960s and 1970s. Initially, they were strongly associated with the thinking of a small group of University of Oxford academics. Their individual and collective views, had an important impact on the deliberations and findings of the Royal Commission, chaired by Lord Donovan between 1965 and 1968, and on its final report. The so-called 'Oxford' approach to industrial relations influenced not only public policy and a generation of scholars in the field but also industrial relations practitioners. During the 1980s and 1990s, however, neo-unitary theory enjoyed a partial renaissance amongst some managers and students of industrial relations, as shifts to the right in British politics, to market economics and the weakening of union bargaining power in segments of the labour market occurred.

Criticism of industrial relations pluralism also comes from other quarters. The latter believe, for instance, that those working within the pluralist framework implicitly accept the institutions, principles and assumptions of the social and political status-quo as unproblematic.

In doing so they add their professional status, personal prestige, and influential involvement in public policy making to the forces and influences which lead subordinate groups to continue seeing the status-quo as legitimate, inevitable, unchangeable, 'only to be expected', subject only to changes at the margin.

Others, such as Goldthorpe, have argued that the liberal pluralist approach to industrial relations is fundamentally conservative. Indeed the changes which it seeks to promote are ones designed to bring about the more effective integration of labour into the existing structure of economic and social relations, in industry and the wider society, rather than ones intended to produce any basic alteration in this structure.

Nevertheless, despite its critics and a nascent neo-unitarism, industrial conflict theory remain a major theoretical approach to industrial relations. Yet, whilst collective bargaining fits easily into pluralist theory, consultation of joint problem solving does so to a lesser extent. For this reason it is useful to distinguish between 'hard' pluralism and collective bargaining, which are conflict centered, and 'soft' pluralism and joint consultation, which are problem centered.

4. Joint Consultative Machinery

The present joint consultative machinery for the settlement of industrial disputes in India comprises (i) conciliation, (ii) arbitration and (iii) adjudication.

Conciliation :

The aim of conciliation is to bring about a settlement in disputes through a third party intervention. The conciliation machinery can take note of a dispute or apprehend dispute either on its own or when approached by either party. It can either be voluntary or compulsory. Under the Industrial Disputed Act, conciliation is compulsory in all disputes in public utility services and optional in other industrial establishments. With a view to expediting conciliation proceedings, time-limits have been prescribed—14 days in the case of conciliation officers and 2 months in the case of a Board of conciliation. A settlement arrived at in the course of conciliation is binding for such period as may be agreed upon between the parties or for a period of 6 months and will continue to be binding until revoked by either party. The Act prohibits strikes and lockouts during the pendency of conciliation proceedings before a Board and seven days after the conclusion of such proceedings.

The performance of the conciliation machinery as indicated by statistics does not appear to be unsatisfactory. During the years 1959-'66, out of the total industrial disputes handled by the Central Industrial Relations Machinery each year, the percentage of settlement has varied between 57 and 83. The remaining disputes were settled mutually, referred to voluntary arbitration or arbitration under the I.D. Act or to adjudication.

The working of the conciliation machinery reveal certain defects such as the delays involved, the casual attitude of either party to procedure and lack of adequate background in the officer himself for understanding major issues.

The National Labour Commission pointed out that, to be more effective, the conciliation machinery should be part of the proposed Industrial Relations Commission. This will introduce important structural, functional and procedural changes in the working of the machinery as it exists today. The independent character of the Commission will inspire greater confidence in the conciliation officers. This will also, in due course, improve the attitude of the parties towards the working of the conciliation machinery.

Arbitration :

Arbitration is provided by those countries which have provided for conciliation. This procedure is used after failure of conciliation. Arbitration is the means of securing a definite award on any controversial issue by referring it to a third party. Arbitration may be either compulsory or voluntary. Voluntary arbitration implies that the two parties, unable to settle their differences between themselves, agree to submit their cases to an arbitrator whose decision they agree to accept. Compulsory arbitration, on the other hand, implies that parties must submit their cases to an arbitrator and are bound to accept the award.

Voluntary arbitration as a method of settling industrial conflicts came into prominence with the advocacy by Mahatma Gandhi of its application to the settlement of disputes in the textile industry in Ahmedabad. The policies recommended in the Plans specifically mention voluntary arbitration. The I.D. Act was amended to make a provision for joint reference to industrial disputes to voluntary arbitration. The Indian Labour Conference in August, 1962 reiterated the need for a wider acceptance of voluntary arbitration. But, as against the emphasis in the Third Plan which considered that voluntary arbitration should be the normal practice in preference to recourse to adjudication, the Conference felt whenever conciliation fails, arbitration will be next normal step except in cases where the employer feels that for some reason he would prefer adjudication.

To make voluntary arbitration more acceptable to the parties and to co-ordinate efforts for its promotion, Government has recently set up a National Arbitration Promotion Board (NAPB) with a tripartite composition. The Board will review the position, examine the factors inhibiting wider acceptance of this procedure and suggest measures to make it more popular.

The Giri Approach :

Mr. V. V. Giri, who was formerly India's Labour Minister, subsequently, the President, pleaded for the settlement of industrial disputes not by compulsory arbitration, as at present, but by mutual negotiations and voluntary arbitration. This is known as 'Giri Policy' or 'Giri Approach'. If mutual negotiation fails to ensure any settlement of the disputes, the matter shall be referred to the conciliation officer. If the conciliation officers fail in their task, the disputing parties should voluntarily refer the dispute to the arbitration, the award of which is to be binding upon them. The reference to compulsory arbitration should be made during emergency and in case of public utility service. Mr. Giri also pleaded for the abolition of the Labour Appellate Tribunal on the ground that in the case of mutual settlement of disputes such institution would be unnecessary.

The Royal Commission on Labour was also against compulsory arbitration. It said that compulsory arbitration would defeat its own purpose. Instead of building peace it would create greater dissatisfaction among the workers.

Compulsory arbitration is not calculated to promote industrial peace for the following reasons :

Firstly, compulsory arbitration is not conducive to permanent peace. Permanent peace can only be secured by mutual and voluntary agreements. So long as compulsory arbitration is present for the settlement of disputes, voluntary method cannot succeed. Mr. Giri has rightly said that unless compulsory adjudication is totally removed from the Statute Book—lock, stock and barrel—the parties, during the period of mutual negotiations, will not place all their cards on their table but will reserve the 'ace' one for the gain of compulsory adjudication. Moreover, compulsory arbitration encroaches on the workman's right to collective bargaining and deprives them of their important weapon—the strike to redress their grievances. Secondly, the award of tribunal may not be always to the entire satisfaction to the parties to the dispute. On the other hand, settlement of an industrial dispute brought about through collective bargaining is likely to be cordially accepted by both the parties. Thirdly, compulsory arbitration is criticized on the ground that the judges may not always be the right men to decide industrial disputes. Compulsory arbitration can

only succeed if both the parties to the dispute have full confidence in the impartiality of the adjudicating body. Fourthly, compulsory arbitration retards the growth of trade unionism in the country and the habit of collective bargaining. It destroys the bond of unity and strength of the workers and prevents the growth of mutual understanding between employers and employees, which is essential for the maintenance of industrial peace. Compulsory arbitration is undemocratic and gives a rigidity to the economic system.

Our experience shows that compulsory arbitration has actually failed in India to bring about industrial peace. Since 1947, we have witnessed many industrial disputes which have not been settled by compulsory arbitration. Mr. Giri has rightly pointed out that compulsory arbitration stands as a policeman watching out for signs of discontent and at the slightest provocation takes the parties to the court for a dose of costly and not wholly satisfying justice.

Although the 'Giri Approach' is a step in the right direction, it should not be considered as a panacea for industrial peace. As labour is not well-organised in our country, the Government's right to interfere in industrial disputes cannot be questioned. A strike or lock-out is not a private affair. It affects the whole country. If the Government does not interfere, the life of the whole country may be paralysed. Thus, in certain cases, compulsory arbitration is needed in the country. But it may also be noted that compulsory arbitration is not the only method rather it is the last resort for the State.

Adjudication :

Adjudication is only a form of compulsory arbitration and implies that the Government submits the case to an authority for adjudication and enforces its awards on the parties. The ultimate legal remedy for the settlement of an unresolved dispute is its reference to adjudication by the appropriate Government to constitute a labour court, industrial tribunal or national tribunal to adjudicate in a dispute.

It cannot be denied that during the last twenty years the adjudication machinery has exercised considerable influence on several aspects of conditions of work and labour management relations. Adjudication has been one of the instruments for improvement of wages and working conditions and for securing allowances for maintaining real wages, for standardisation of wages, bonus and introducing uniformity in benefits and amenities. It has also helped to avert many work stoppages by providing an acceptable alternative to direct action and to protect and promote the interests of the weaker sections of the working class, who were not well organised or were unable to bargain on an equal footing with the employer. As against these advantages, adjudication has many procedural defects. It is dilatory, expensive, and

discriminatory. The fundamental objections are that the system of adjudication has failed to achieve industrial peace, that it has inhibited the growth of unions and has prevented voluntary settlement of industrial disputes and growth of collective bargaining.

The moot point is whether adjudication inhibits collective bargaining and is antithetical to it. The best justification for collective bargaining is that it is a system based on bipartite agreements and as such superior to any arrangement third party intervention in the matters which essentially concern employers and workers. The system of adjudication, as it has been applicable in our country, did not exclude bipartite agreements. The present trend favours the increasing adoption of collective bargaining to settle disputes and a gradual replacement of adjudication. There is a general preference for collective bargaining with a provision for arbitration in the event of failure of collective bargaining.

Preventive Measures :

Certain measures have been suggested for the prevention of disputes and the promotion of good labour management relations. They may be grouped under (i) Joint Consultation, (ii) Code of Discipline, (iii) Grievance Procedure and (iv) Disciplinary Procedures.

(i) **Joint Consultation** : In India Joint Consultation has assumed two forms— (a) Works Committees and (b) Joint Management Councils.

(a) **Work Committees** : Section 3(1)(2) of the I.D. Act provides for the setting up of a Works Committee consisting of representatives for management and employees, in every undertaking employing 100 or more workmen to promote measures for securing and preserving amity and good relations between the employers and workmen and to that end to comment upon matters of their common interest or concern and endeavour to compose any material difference of opinion in respect of such matters. The representatives of the workmen, whose number shall not be less than the number of the representatives of the employer, are to be chosen from among the workmen engaged in the establishment and in consultation with their registered trade union, if any. The Royal Commission on Labour suggested three ways to stabilize the industrial relationship. The first was to encourage the development of stable trade unions with access to those responsible for the management. The second was the appointment of labour officers in undertakings to look after the welfare of the workers. The third was the organization of Works Committees in industrial establishment. The Commission resisted upon the importance of Works Committees as an internal machinery for the prevention and settlement of industrial disputes. The usefulness of Works Committees as a channel

or joint consultation and the need for strengthening and promoting this institution was stressed in the labour policy statements in the successive plans. The encouragement given by the Government led to the setting of Works Committees in a number of undertakings ; the pace of progress was, however, slow and uneven in different parts of the country. The number of Works Committees set up was 1,142 in 1951 ; it rose to 3,133 in 1965-66. But mere numbers do not count. The general feeling in the country is that the Committees have not proved effective. The advisory nature of the recommendations, vagueness regarding their exact scope and functions, inter-union rivalries, union opposition and reluctance of employers to utilize such media have rendered Works Committees ineffective.

The effectiveness of Works Committees will depend on the following factors : (1) a more responsive attitude on the part of management; (2) adequate support from unions ; (3) proper appreciation of the scope of functions of the Works Committees ; (4) whole-hearted implementation of the recommendations of the Works Committees and (5) proper co-ordination of the functions of the multiple bipartite institutions at the plant level now in vogue.

Joint Management Councils : The Joint Management Councils owe their origin in the Government's Industrial Policy Resolution, 1956. The main objectives in the establishment of JMCs were to promote cordial relations between management and workers, build up understanding and trust between them, effect substantial increase in productivity, secure better welfare and other facilities for workers and train them to understand and share the responsibilities of management. JMCs will thrive only in an atmosphere of mutual confidence and goodwill.

The essential features of the scheme for JMC are : (1) the Council is entitled to be consulted on certain specified matters ; (2) in some others, the management is expected to share information with the Council and (3) in a set of functions, administrative responsibilities have to be given to it. All matters such as wages, bonus and allowances which are subjects for collective bargaining were excluded from the scope of the JMC.

The Third Plan, in its approach to the problem of industrial relations, elaborated this policy of associating labour more and more with managements and accepted the progressive extension of the scheme of the JMC's in all industrial undertakings found suitable for the purpose, so that, in due course of time, the scheme might become a normal feature of the industrial system.

There does not appear to be much support for the institution of JMCs in their present form. Even where the councils exist, they are ineffective and their functioning unsatisfactory in many cases. Reasons are not far to seek. Progressive employers

who already have a system of consultation with their workers through a recognised union or Works Committees, find the JMC superfluous ; managements are generally averse to having a multiplicity of joint bodies and so are union. In undertakings in which industrial relations are not cordial, JMCs cannot be expected to function satisfactorily.

In regard to the future of JMCs the National Labour Commission has accepted a cautious attitude. A JMC will be set up only when the system of union recognition becomes an accepted practice and both managements and unions gravitate towards greater co-operation.

QUESTIONS FOR DISCUSSION

1. What is motivation ? Who is responsible for motivating employees ?
2. Explain the similarities and differences between Herzberg's and McGregor's theories of motivation. Which one do you prefer and why ?
3. The theories of Maslow, McGregor and Herzberg—all approach motivation from different perspective but they all emphasise similar sets of relationships. Explain these relationships. Which of these theories do you prefer and why ?
4. Define Motivation. What are the different approaches to motivation ?
5. How does a manager create a proper motivational climate for his workers ?
6. Enumerate the benefits of motivation.
7. Discuss critically Maslow's Hierarchy of Needs theory.
8. Discuss critically Herzberg's Motivation Hygiene theory.
9. Explain McGregor's Theory X and Theory Y. Which one is more appropriate in the Indian context ?
10. Explain briefly Vroom's expectancy theory of motivation.

NOTES

NOTES



মানুষের জ্ঞান ও ভাবকে বইয়ের মধ্যে সঞ্চিত করিবার যে একটা প্রচুর সুবিধা আছে, সে কথা কেহই অস্বীকার করিতে পারে না। কিন্তু সেই সুবিধার দ্বারা মনের স্বাভাবিক শক্তিকে একেবারে আচ্ছন্ন করিয়া ফেলিলে বুদ্ধিকে বাবু করিয়া তোলা হয়।

— রবীন্দ্রনাথ ঠাকুর

ভারতের একটা mission আছে, একটা গৌরবময় ভবিষ্যৎ আছে, সেই ভবিষ্যৎ ভারতের উত্তরাধিকারী আমরাই। নূতন ভারতের মুক্তির ইতিহাস আমরাই রচনা করছি এবং করব। এই বিশ্বাস আছে বলেই আমরা সব দুঃখ কষ্ট সহ্য করতে পারি, অন্ধকারময় বর্তমানকে অগ্রাহ্য করতে পারি, বাস্তবের নিষ্ঠুর সত্যগুলি আদর্শের কঠিন আঘাতে ধূলিসাৎ করতে পারি।

— সুভাষচন্দ্র বসু

Any system of education which ignores Indian conditions, requirements, history and sociology is too unscientific to commend itself to any rational support.

— Subhas Chandra Bose

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