

Human Resource Management

Subject : Commerce

Lesson : Human Resource Management

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University**



Human Resource Management

Table of Contents

16.0: Introduction

- 16.1: Concept of Human Resource Management
 - 16.1.1: Meaning
 - 16.1.2 :Features of HRM
 - 16.1.3 :Objectives of HRM
 - 16.1.4 :Process of HRM
 - 16.1.5 :Significance of HRM
- 16.2 Staffing
- 16.3 Human Capital and its Types
 - 16.4 Recruitment
 - 16.4.1 Meaning of Recruitment
 - 16.4.2 Recruitment Needs
 - 16.4.3 Sources of Recruitment
 - 16.4.3.1 Internal sources of Recruitment
 - 16.4.3.2 External Sources of Recruitment
 - 16.4.3.3 Internal vs. External sources of Recruitment
 - 16.5 Selection
 - 16.5.1 Concept
 - 16.5.2 Recruitment vs. Selection
 - 16.5.3 Selection Procedure
 - 16.6 Training
 - 16.6.1 Meaning
 - 16.6.2 Role of Training
 - 16.6.3 Types of Training
 - 16.6.4 Methods of Training
 - 16.6.4.1 On-The -Job- Training
 - 16.6.4.2 Off- The- Job- Training
 - 16.7 Compensation
 - 16.7.1 Concept
 - 16.7.2 Methods of compensation
 - 16.7.2.1 Base compensation
 - 16.7.2.2 Supplementary Compensation
 - 16.7.2.3 Base vs. supplementary Compensation
 - 16.7.3 Compensation Management
 - 16.7.3.1 Need for Compensation Management
 - 16.7.3.2 Objectives of Compensation Management
 - 16.7.4 Methods of Wage- Payment
 - 16.7.4.1 Time- Wage- System
 - 16.7.4.2 Piece- Wage- System
 - 16.7.4.3 Time- Wage vs. Piece- Wage
- Summary
- Exercises
- Glossary
- References

Human Resource Management

Learning Outcomes

After you have read this chapter, you should be able to:

- Understand the concept and importance of Human Resource Management
- Identify sources of human capital
- Meaning of recruitment and selection
- Steps in the selection procedure
- Concept of training and its role
- Evaluate training methods
- Elements of compensation
- Methods of wage payment

16.0 Introduction

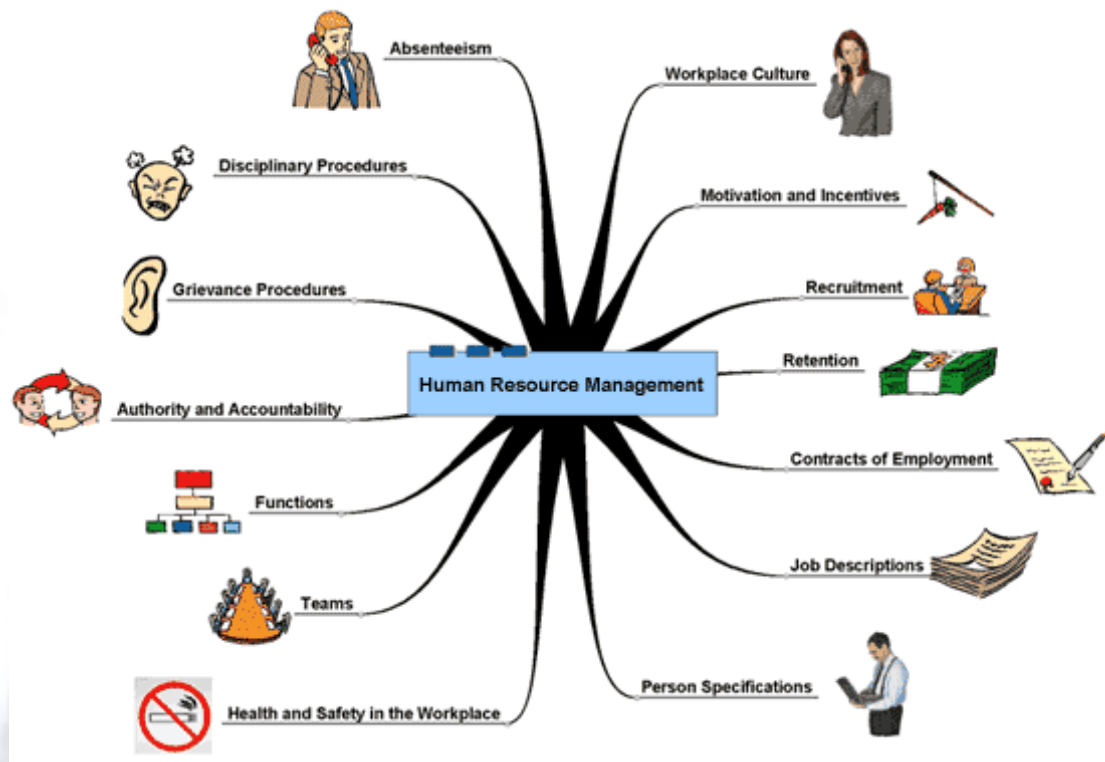
Organizations are made up and function through people. The human resource (HR) is an unending source of strength, competence, skill, knowledge, talents, efficiency, decision-making and enthusiasm to be utilized for the attainment of objectives of the organization. It is through the combined efforts of the human resource talent that the technological, financial, physical and all other resources are utilized. In the words of Rensis Likert "Every aspect of the firm's activities is determined by the competency, motivation and general effectiveness of its human capital, of all the tasks of management, managing the human component is the central and the most important task because all depends upon how well it is done."

Human resources are considered to be a very important asset and a talented resource that an organization has. The world is seen as a global village and world economies today are in turmoil. In such a case, efficient management of the manpower working in an organization is a very challenging task. The complexity of human resource as a function has been augmented due to scarcity of this asset and the increasing expectations that organizations have from a modern day worker. The human resource department handles the specific functions and activities related to human resources. Still, the management of human assets is not the responsibility of any one but all the managers in an organization due to its pervasiveness and presence across all departments.

Hence, all managers are required to understand and give importance to the human resource policies and activities in the organization. Human Resource Management also performs the task of highlighting the importance of functions of HRM in an organization. It explores the HR processes related with searching, recruiting, selecting, managing, developing and motivating employees for the benefit of an organization.

Human Resource Management

Figure 16.1: Human Resource Management



Source: http://www.bized.co.uk/sites/bized/files/images/hrm1map_small.gif

Managing men is thus the central theme of any organization. Human Resource Management (HRM) is thus concerned with all aspects of managing the human Resource of an organization- Determining the need of human resource, recruiting and selecting the best available employees, suitable placement and orientation, enhancing their skills and career prospects and compensating them adequately so as to ensure their commitment and loyalty.

Figure 16.2: The Human Component



Source: http://www.hrstore.com/images/ideal_hr_department.jpg

Human Resource Management

16.1 Concept of Human Resource Management

Value addition 16.1.1: Focus of the Section

16.1 Concept of Human Resource Management

This section describes HRM as an operative function which provides the organization with indispensable human resource that possesses the right skill and talent that helps in utilizing its financial, physical and technological resources. The purpose is to familiarize you with the concept, major characteristics, objectives, process involved and the importance thereof.

16.1.1 Meaning

According to British Institute of Personnel Management, London, "Personnel Management is the part of management which is concerned with the people at work and their relationships within an enterprise". Its aim is to maintain cordial human relations in an organization through development, implementation and review of the policies, procedures and programmes related to human resources so as to maximize their contribution for the attainment of organizational goals and objectives.

Human Resource Management is an organizational function that emphasizes on recruitment, selection, organizing, directing and controlling the people working in an organization. Line managers can also perform human Resource Management.

Human Resource Management as a function is concerned with matters like compensation of employees, hiring them, management of their performance, development of the organization; safety, wellness, benefits of employees, motivating them, ensuring smooth and free flow communication, and training and development.

Coleman has defined manpower planning as, "The process of determining manpower requirements and the means for meeting those requirements in order to carry out the integrated plan of the organization".

Stainer defines Human resource planning as "strategy for the acquisition, improvement and preservation of an enterprise's human resources. It relates to establishing job specifications or the quantitative requirements of jobs determining the number of personnel required and developing sources of manpower".

Figure 16.3 Dimensions of HR



Source:

http://4.bp.blogspot.com/_Bo2OkHBt4Ng/SRAHvhnn4bI/AAAAAAAAAB3Y/jm38kkX053M/S971-R/HR+Functions.gif

Human Resource Management

16.1.2 Features of HRM

Human Resource Management brings closer the organizations and its people to ensure that organizational as well as individual objectives are achieved. The employees can contribute to the best possible extent only when they are committed towards the organization and extend full cooperation. Hence, it can be defined as the art of obtaining, developing and maintaining competent manpower to efficiently achieve the organizational goals. It has the following features: -

1. **Integral Part of Management:** HRM is inherent in the process of management. All the managerial functions of management cannot be initiated and sustained without human resource.
2. **Pervasive Function:** HRM is pervasive in nature. It is required in all types of organizations and permeates all levels of management in an organization.
3. **People Centric:** HRM is all about people at work, both as individuals as well as groups. It concerns their recruitment, selection, placement, development and retention.
4. **Goal Directed:** HRM is action oriented which aims at fulfillment of specific goals of procurement, development and retention of personnel.
5. **Inter-Disciplinary:** HRM is multi-disciplinary as it involves the knowledge drawn from various social sciences like psychology, sociology, anthropology, economics etc.
6. **Continuous Process:** As George Terry puts in 'Personnel management is not a 'one shot' function but an ongoing activity that requires a constant alertness and awareness of human relations and their importance to everyday operations.

16.1.3 Objectives of HRM

The HR department does not have the sole responsibility for managing people, and people are seen as assets, not just as costs. In the course of managing people, all managers must be concerned to some degree with the following six activities: attraction, selection, retention, development, assessment, and adjustment.

Attraction comprises the activities of identifying the job requirements within an organization, determining the numbers of people and skills mix necessary to do these jobs, and providing equal opportunity for qualified candidates to apply for jobs. Selection is the process of choosing the people who are best qualified to perform the jobs. Retention comprises the activities of rewarding employees for performing their jobs effectively and maintaining a safe, healthy work environment. Development is a function whose activities are aimed at preserving and enhancing employee's competence in their jobs through improving their knowledge, skills, abilities, and other characteristics; human resource specialists use the abbreviation KSAOs to refer to these items. Assessment involves the observation and evaluation of behaviors and attitudes relevant to jobs and to job performance. Adjustment comprises activities intended to maintain compliance with the organizations human resource policies.

Needless to say, these activities can be carried out at the individual, group, or larger organizational unit level. Sometimes they are initiated by the organization, and sometimes they are initiated by the individual or group. Whatever the case, the responsibilities for carrying out these activities are highly interrelated. Together they comprise the human resource management system.

In view of the above features HRM tries to fulfill the following objectives:

- To acquire right men at the right jobs at the right time in right number
- To train and develop the procured people appropriately.
- To ensure effective utilization of Human Resource
- To identify and satisfy the needs of individuals by offering them various monetary and non- monetary rewards.
- To integrate the individual/ group goals with the organization.
- To achieve and maintain high morale among employees in the organization through better human relations.

Human Resource Management

- To add to the well being of the society.

Figure 16.4 Achieving Excellence



Source:

http://www.google.co.in/imgres?imgurl=http://www.hr.uwa.edu.au/_data/page/123964/workforce_plan.bmp&imgrefurl=http://www.hr.uwa.edu.au/hr/publications/workforceplanning&usq=_gWsr3nGyA1eFWR4tG4SALpG2EVM=&h=717&w=677&sz=1423&hl=en&start=0&zoom=1&tbnid=TmYYrxDUOER_WM:&tbnh=168&tbnw=159&ei=Ce9jTarPK8P58Aby0pntCw&prev=/images%3Fq%3Dhr%2Bplanning%26um%3D1%26hl%3Den%26biw%3D1024%26bih%3D677%26tbs%3Disch:1&um=1&itbs=1&iact=rc&dur=283&oei=Ce9jTarPK8P58Aby0pntCw&page=1&ndsp=12&ved=1t:429,r:3,s:0&tx=65&ty=59

16.1.4 HRM Process

Human Resource Management as a function involves hiring, developing, motivating, and retaining competent and skilled employees. Many large organizations have a separate internal Human Resource Department. Decisions such as recruitment of candidates, assessment of applications, selection of candidates, their staffing, orientation, induction, appraisal, training and development, motivation are all taken care of by this department.

The following HR Management Process details out the eight steps that an organization must follow in order to recruit and sustain skilled manpower who are able to deliver the expected results and achieve the objectives of an organization effectively and efficiently in a time bound manner.

The initial three stages refer to planning of the employment opportunities. This can be done by increasing the workforce through recruitment and reducing the same through downsizing, and finally selection of result oriented competent people. Through the process of induction or orientation, these new hires/ recruits must be informed about the organization so that they become adapted to it. The skills related to the job must be updated from time to time, this is done through training and development. The later stages in the process of HRM are performance appraisals, compensation and benefits, and safety and health. All the above mentioned steps help in identifying the objectives of employment, take corrective actions to improve performance and make sure that the high-level performance of the employees is sustained.

Human Resource Management

Figure 16.5 HR Management Process



2

Source: academic.kellogg.cc.mi.us

16.1.5 Significance of Human Resource Management

In the development process of modern economies Human Resources play an important role. There are great differences in development between countries which seem to have roughly equal resources, so it is necessary to enquire into the factors that might be responsible for these differences. The investigations point towards the difference in human behavior. The natural resources available in a country, availability of physical resources, capital and international aid play a very crucial role in the growth of modern economies; but it is worth noticing that none of these factors is more significant than the human resources. It is rightly said that all development comes from the human mind. Manpower has always been most important and a major area of attention to organizations, but their strategic importance is growing in today's knowledge-based industries. An organization's success increasingly depends on the knowledge, skills and abilities (KSAs) of employees, particularly as they help establish a set of core competencies that help in distinguishing one organization from the other. Efficient and properly formulated HR policies and practices of an organization enable it to hire, develop and utilize best brains in the industry, achieve its goals and deliver results better than others.

The line management is supported and advised by the Human Resources (HR) function. It is the responsibility of the Human Resource function to attract, retain, train and motivate people with high calibre that are a source of competitive advantage to the organization.

The role played by HRM can thus be summarized as:-

- Hiring right people at right jobs.
- Orienting, training and developing them.
- Compensating them adequately
- Motivating them through financial and non- financial rewards
- Providing them job satisfaction.
- Appraising their performance
- Boosting their morale and ensuring their commitment.
- Reducing the rate of high turnover.

Human Resource Management

Figure 16.6 Effectiveness of HR Management



Source: http://www.nicheconsulting.co.nz/images/HRM_bottomline.png

Value addition 16.1.2: Check Your Comprehension

16.1 Concept of Human Resource Management

- Given below are the keywords giving the features of HRM. Identify their relevance in the other managerial functions of an organization:
Pervasiveness, People-centric, Goal-oriented, Continuous

Pick the option that best suits.
This section...

Completely understood	Partially Understood	Not understood
↓	↓	↓
Move on to next section	Move on to next section but note that you need to revise this.	You need to re read this and discuss it with your batch mates.

Value addition 16.1.3: Test Yourself

16.1 Concept of Human Resource Management

- Discuss HRM & outline its features.
- Identify the main objectives of HRM.
- Explain HRM Process.
- What purpose does HRM serve for the organization?

Value addition 16.1.4: Activity

16.1 Concept of Human Resource Management

Surf the net and find out how the companies like Reliance and Infosys fulfill their role of HR.

Human Resource Management

16.2 Staffing

Value addition 16.2.1: Focus of the Section
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16.2 Staffing

The previous section laid down the conceptual framework of HRM and its relevance to an organization. By now you must have got an understanding as to how an organization is made up and function through people. This section clarifies the difference between HRM & staffing which are often used as synonyms.

Staffing as a managerial function includes managing the organizational structure. This is done through effective selection, training and development of the manpower to efficiently perform the roles assigned to them.

According to Theo Haimann, "Staffing pertains to recruitment, selection, development and compensation of subordinates."

1. **Staffing is an important managerial function-** Staffing function is a very important managerial activity in addition to planning, organizing, directing and controlling. The conduct of the above mentioned functions relies upon the employees who have been selected and placed on their jobs by the process of staffing.
2. **Staffing is a pervasive activity-** It is pervasive since it is carried out by all managers and in all kinds of organizations.
3. **Staffing is a continuous activity-** It is continuous since the transfers and promotions take place throughout the life of an organization.
4. **The basis of staffing function is efficient management of personnel-** Human resources can be efficiently managed by a system or proper procedure, that is, recruitment, selection, placement, training and development, providing remuneration, etc.
5. **Staffing helps in placing right men at the right job-** It can be done effectively through proper recruitment procedures and then finally selecting the most suitable candidate as per the job requirements.
6. **Staffing is performed by all managers-** The size of the organization, nature of its business, skills and qualifications of the managers determines the performance of the staffing function by its managers. This function is performed by the top management itself in small organizations. In medium and large enterprises, it is done by the HR department.

Staffing as a managerial function finds the suitable people, with the right set of skills and talents and abilities, hires them. These people might have already worked for the organization or for competing organizations. Staffing deals with a comprehensive term for all operative functions namely recruiting, placing, retaining and developing performed in HR management.

Human Resource Management

Figure 16.7 Staffing brings experienced to the team



Source:

<http://www.google.co.in/imgres?imgurl=http://www.sprintekindustries.com/staffing/staffing.jpg&imgrefurl=http://www.sprintekindustries.com/staffing/staffing.html&usq=2hsjkhyn4NwmHcUAjM3IU2sNo0=&h=332&w=449&sz=62&hl=en&start=0&zoom=1&tbnid=jb7POH2OiWq3YM:&tbnh=123&tbnw=164&ei=6E1ITfOwBMAGrAePoOCvBq&prev=/images%3Fq%3Dstaffing%26hl%3Den%26biw%3D1024%26bih%3D677%26gbv%3D2%26tbs%3Disch:1&itbs=1&iact=hc&vpx=263&vpy=72&dur=8983&hovh=193&hovw=261&tx=135&ty=120&oei=6E1ITfOwBMAGrAePoOCvBq&page=1&ndsp=20&ved=1t:429,r:1,s:0>

HRM in turn is an operative function and is wider in scope than staffing. It refers to the practices and policies in relation to acquisition, management and motivation of the workforce. It involves workforce in important decision making process and integrates their individual goals with the organizational goals.

Value addition 16.2.2: Check Your Comprehension		
16.2 Staffing		
1. Is HRM same as Staffing? 2. What is the nature of Staffing? Pick the option that best suits.		
This section...		
Completely understood	Partially Understood	Not understood
↓	↓	↓
Move on to next section	Move on to next section but note that you need to revise this.	You need to re read this and discuss it with your batch mates.

Value addition 16.2.3: Test Yourself
16.2 Staffing
1. Explain the phrase "Placing right person at the right job."

Human Resource Management

16.3 Human Capital & its Types

Value addition 16.3.1: Focus of the Section

16.3 Human Capital & its Types

This section will apprise you of different skills / talents required in HR in the form of human capital & help you identify the sources of human capital.

Human capital is but the manpower available to an organization, the competences of these employees, their skills, personality, talents, knowledge and other attributes that enables them to produce economic value. The employees can gain these attributes experience, training and practice. Many early economic theories refer to it simply as workforce, one of three factors of production, and consider it to be a fungible resource - homogeneous and easily interchangeable.

Human capital is the sum total of inherent abilities, acquired knowledge and skills represented by the talents and aptitudes of the individuals working in the organization. It comprises of three elements:

- **Intellectual capital:** consists of specialized knowledge and skills, cognitive complexity and learning capacity.
- **Social capital:** relates to network of relationships, sociability and trustworthiness.
- **Emotional capital:** comprises of self-confidence, risk taking ability and resilience.

Figure 16.7 Human Capital Strategy



Source:

http://www.google.co.in/imgres?imgurl=http://www.dmlgroup.com/images/products/areas_circle_300.gif&imgrefurl=http://www.dmlgroup.com/solutions/training-consulting.aspx&usq=3a2p9cPjEDsIJPtjXsv8872-c=&h=300&w=300&sz=29&hl=en&start=0&zoom=1&tbnid=s9HV0CSn6USqkM:&tbnh=158&tbnw=158&ei=qE9ITd_fNoXyvQPR1MGrBg&prev=/images%3Fq%3Dhuman%2Bcapital%26hl%3Den%26biw%3D1024%26bih%3D677%26gbv%3D2%26tbs%3Disch:1&itbs=1&iact=hc&vpx=363&vpy=286&dur=9489&hovh=225&hovw=225&tx=131&ty=96&oei=7U5ITfj0L4btrQe4j9W6Bg&page=1&ndsp=12&ved=1t:429,r:5,s:0

Human Resource Management

Value addition 16.3.2: Check Your Comprehension

16.3 Human Capital & its Types

- Pick out the keyword that does not belong to this section.
 - Financial Capital
 - Emotional Capital
 - Technological Capital
 - Innovative Capital
- Identify under which component of human Capital the following would be placed:
 - Specialized process of work
 - Courage
 - Resilience
 - Informal Relations

Pick the option that best suits.

This section...

Completely understood	Partially Understood	Not understood
↓	↓	↓
Move on to next section	Move on to next section but note that you need to revise this.	You need to re read this and discuss it with your batch mates.

Value addition 16.3.3: Test Yourself

16.3 Human Capital & its Types

- What do you understand by the term Human Capital?
- Identify elements of Human Capital.

16.4 Recruitment

Value addition 16.4.1: Focus of the Section

16.4 Recruitment

After we have discussed what is HRM and different elements of Human Capital, we now move on to the various functions of HRM. This section aims to give you an insight into the meaning of recruitment, factors that trigger the need for recruitment and various sources of recruitment. This section describes only recruitment whereas selection is described in the following section.

16.4.1 Meaning of Recruitment

Recruitment requires estimating the present job vacancies and to make necessary provisions for their selection and appointment. The suitable candidate is selected and placed on the right job. A formal definition states, "It is the process of finding and attracting capable applicants for the employment. The process begins when new recruits are sought and ends when their applicants are submitted. The result is a pool of applicants from which new employees are selected". The eligible candidate is selected scientifically from the vast pool of applicants created during the process of recruitment through extensive advertising and any other method of publicity of the job vacancy. Information is sought from all the interested candidates in this process. For this, all possible sources are exploited to create a pool of eligible and interested candidates for

Human Resource Management

selection of most suitable ones. Recruitment process represents the first contact that a company makes with its potential employees.

According to EDWIN FLIPPO, "Recruitment is the process of searching for prospective employees and stimulating them to apply for jobs in the organization."

Recruitment is a positive process since it allows every potential candidate to apply. It does not eliminate any candidate but creates a large pool from where the organization can choose the best one. Its objective is to attract as many potential candidates as possible for the jobs at hand. Selection, on the other hand, is often termed as negative since its aim is to eliminate the unsuitable candidates leaving behind only the best ones.

16.4.2 Recruitment Needs

The need for recruitment may be due to the following reasons:-

Planned Needs: The needs arising from the changes in organization and the retirement policy

Anticipated Needs: These are those movements in personnel, which an organization can predict by studying trends in internal and external environment.

Unexpected Needs: Resignation, deaths, accidents, and illness give rise to unexpected needs.

16.4.3 Sources of Recruitment

Once the organization decides that it requires additional employees, it is faced with the decision of where to generate the applications from. There are two sources through which an organization can choose the candidates, i.e. internal & external. When an employee is transferred or promoted from one department to another so as to fill a vacancy it is known as an internal source of recruitment. Recruitment by way of any other source like advertisements, placement agencies etc. are known as the external sources of recruitment.

Hence, the two main sources of recruitment are grouped as:

- i. Internal Sources (recruitment from within the organization)
- ii. External Sources (recruitment from outside)

Figure 16.8 Sources of Recruitment



Source: <http://recruitment.naukrihub.com/sources-of-recruitment.html>

Human Resource Management

16.4.3.1 Internal Sources of Recruitment

Some Internal Sources of Recruitments are given below:

1. **Transfers** - Depending on their efficiency and experience, the employees are transferred/ shifted from one department to another.
2. **Promotions** - The employees are promoted from one department to another. The level of responsibility and the associated benefits increase proportionately.
3. **Upgrading and Demotion** - This depends on the performance of the employees.
4. **Retired and Retrenched employees** - In case there is a shortage of skilled and talented manpower or an increase in the workload, the retired or retrenched employees may be hired again. Recruitment of such people saves time and cost of the organizations since such employees is well aware of the organizational culture, policies and procedures.
5. **Deceased employees and Disabled employees** - Here, The dependents and relatives of such employees are selected.

16.4.3.2 External Sources of Recruitment

The commonly used external sources of recruitment are:

- i. **Advertisements:** The most common and popular source is to advertise in newspapers, trade and professional journals for qualified and experienced personnel. The advantage of advertising is that more information about the organization can be given in the advertisement to allow self- screening by the prospective candidates.
- ii. **Educational Institutions or Campus Recruitment:** Recruitment from educational institutions is a well- established practice of large business organizations where they maintain close liaison with universities, vocational institutes and management institutes for the purpose.
- iii. **Placement agencies:** Some agencies and associations are established to provide suitable candidates. The companies intimate their requirements to them who forward a panel of suitable candidates for recruitment.
- iv. **Employment Exchanges:** run by the government are regarded as a good source of recruitment for unskilled, semi-skilled and skilled jobs. In our country, it is obligatory for the government departments and PSU's to notify the vacancies to the local employment exchange who directs the candidates meeting the basic qualification requirements,
- v. **Labour Contractors:** they are an important source of recruitment in some industries in India like the construction industry. Workers are recruited through labour contractors who are themselves employees of the organization. The disadvantage of this system is that if the contractor leaves the organization, all the workers employed through him will also leave.
- vi. **Leasing:** To meet the short term urgent requirements, leasing personnel by the hour or day is a source of recruitment. The advantage associated is that the company not only gets well- trained personnel but also avoids any obligations of pension, insurance and other fringe benefits.

Human Resource Management

Figure 16.9 Some Modern External Sources



Source:

http://www.google.co.in/imgres?imgurl=http://www.toluna-group.com/files/en/content_images/panelButtons_revised.gif&imgrefurl=http://www.toluna-group.com/en/our-panels/panel-science/&usq=__2hKyOueWTmBXRPSJMzttU66n2Z8=&h=201&w=275&sz=11&hl=en&start=20&zoom=1&tbnid=9FI2B1ftquk-UM:&tbnh=160&tbnw=215&ei=CVRITc-sJivIuAPqq9GrBg&prev=/images%3Fq%3Dsources%2Bof%2Brecruitment%26hl%3Den%26sa%3DX%26biw%3D1024%26bih%3D677%26qbv%3D2%26tbs%3Disch:10,396&itbs=1&iact=rc&dur=375&oei=51BITbyQBITm4AbC96CfBw&page=2&ndsp=12&ved=1t:429,r:0,s:20&tx=103&ty=47&biw=1024&bih=677

E-Recruitment: Another name for E-Recruitment is “Online Recruitment”. This is the latest addition to the methods of recruitment. It makes use of web or technology to aid the recruitment process. It could either be a job portal like monster.com or the organization’s own web site or intranet. Many large and medium enterprises have started using Internet as a major source of recruitment. They advertise job vacancies through web.

16.4.3.3 Internal vs. External Sources of Recruitment

Internal vs. external Recruitment	
Internal	
Advantages	Disadvantages
<ul style="list-style-type: none"> • Provides greater motivation to improve Performance. • Improves moral. • Industrial peace prevails because of Promotional avenues. • Less expensive. • Greater promotion opportunities for present employees. • Prepares them to assume higher Responsibilities. • Enables employee to perform job with little lost time. 	<ul style="list-style-type: none"> • Scope of fresh talent is reduced. • Creates political infighting and pressures to compete. • Sprit of competition among employees is hampered. • Time bound promotion make employees lethargic. • Reduces productivity due to frequent transfers. • Not suitable for organizations operating in turbulent environment.

Human Resource Management

External	
Advantages	Disadvantages
<ul style="list-style-type: none"> Infusion of fresh talent & qualified Personnel Organizations responsive to changing environment can get innovative & dynamic employees. Wider choice for selection. Outside competition creates pressure on the existing employees to improve efficiency. Increased work-force diversity 	<ul style="list-style-type: none"> Cost of recruitment is high. Time involved in the process is lengthy. Creates a feeling of demotivation among the existing staff. Uncertainty prevails in respect of finding the suitable candidate as well as their adjustment in the new environment.

Value addition 16.4.2: Check Your Comprehension

16.4 Recruitment

1. Identify major sources of recruitment in a BPO Sector.
2. Identify and list five companies where E- Recruitment is becoming popular.
3. ABC opens a new branch and transfers some of its employees to work in the new branch. XYZ Ltd expands its area of operation and outsources its recruitment through a placement agency. Which source of recruitment is being employed by the two companies?

Pick the option that best suits.

This section...

Completely understood	Partially Understood	Not understood
↓	↓	↓
Move on to next section	Move on to next section but note that you need to revise this.	You need to re read this and discuss it with your batch mates.

Value addition 16.4.3: Test Yourself

16.4 Recruitment

1. Discuss various external sources of human capital. Which of these sources would you like to make use of in recruiting 100 machine operators in a large- scale manufacturing enterprise? Give reasons.
2. Compare internal and external sources of recruitment.
3. "External sources of recruitment are better than the internal sources of recruitment" Do you agree? Give reasons.
4. Why does the need for recruitment arise?

Human Resource Management

16.5 Selection

Value addition 16.5.1: Focus of the Section
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16.5 Selection

In the previous section a pool of prospective candidates was prepared; the next step is to eliminate the unsuitable candidates. This section aims to explain the purpose of selection. The focus in here is to understand the concept of Selection, difference between Recruitment and Selection; Selection Procedure.
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16.5.1 Concept

'To select' is 'To choose'. Selection is therefore known as the process of finding the best and the most suitable candidate from the vast pool of candidates provided by recruitment. Its aim is to find a fit between job specifications with job description, in other words, skills, qualifications, & competencies are matched with the requirements & skills of the job in order to identify the most suitable candidate. It is the process of interviewing, assessing and selecting candidates for the job based on certain criteria. The firm that is hiring and the position for which it is hiring make the process of selection simple or complicated. While selecting an employee, employment laws such as anti-discrimination law must be followed.

16.5.2 Recruitment vs. Selection

Recruitment is a positive process that includes identifying all possible candidates for a job. The task can be undertaken by an employment agency or an internal member of the organization.

Advertising as a part of the recruitment process can take several forms: advertising through newspapers, especially those newspapers that are completely dedicated to advertisements for jobs, professional publications, and advertisements placed at factory gates or in windows, by means of job centers, campus interviews, to name a few. Suitability for a job may be ascertained through skills, e.g. communication skills. The proof of skills required in a job may be shown in the form of qualifications (educational and professional), experience in that particular job or way of references provided. Today, we have several computerized tests to ascertain whether an individual has knowledge of software packages and also assess his typing skills. The numeracy and literacy can be assessed through written tests. Personal interviews can also be conducted to assess the individual. At times, candidates are asked to submit a résumé or a CV (Curriculum Vitae) or to fill an application form to provide all the information or an evidence of the same.

Selection on the other hand is a negative process used to identify and recruit individuals to fill vacancies within an organization. The objective of the selection process is to make sure that the organization has chosen the right person, or in other words, the organization wants to make sure that the time and money spent on recruiting and training that individual would be compensated sufficiently in the form of productivity of that hire.

Examples of screening methods that exist are: minimum desired qualifications, resume/application review, personal interviews, writing samples, and tests of knowledge about the job.

Human Resource Management

Basis	Recruitment	Selection
Meaning	Process of searching the candidates for employment & stimulating them to apply	Involves a series of steps by which candidates are screened by choosing the most suitable
Nature	Positive Process as it encourages a large number to apply for the job	Negative Process as it involves rejection of unsuitable candidates
Objective	To create a large pool of talented candidates	To eliminate unsuitable candidates
Procedure	Simple	Complex
Contract of service	It is the communication of vacancies only, thus no contract of service	Creates a contract of service between the employer & the prospective employee

16.5.3 Selection Procedure

Every candidate is required to pass through a number of hurdles before getting finally selected. If at any stage they are not found suitable they are rejected at that step itself.

i. **Preliminary Screening:** Applications are screened to identify applicants meeting the minimum qualifications listed in the job announcement. Applicants who do not meet the minimum qualifications are notified. The purpose here is to eliminate the unsuitable candidates.

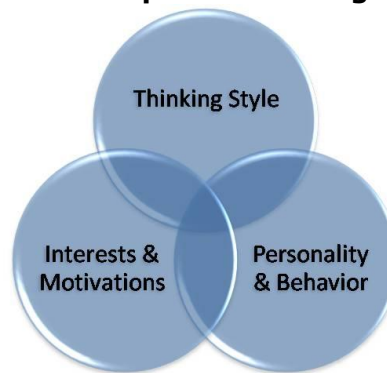
ii. **Application Blank:** It is an accepted device for gathering relevant information from the applicant, which may be of vital importance to the management in making a proper selection. Its main utility is to provide information for interviewing, testing and checking of references etc.

iii. **Employment tests:** a test is standardized, objective measure of a person's behavior, performance or attitude. The aim of employment/ selection tests is to measure such skills and aptitudes, which are necessary for performing the job efficiently. Various types of tests used are:

- **Intelligence test:** Ability or intelligence test seeks to judge the mental alertness in terms of understanding, reasoning, comprehension, memory & decision making.
- **Aptitude test:** These tests are designed to measure the individual's potential for learning knowledge & skills to do a job efficiently. They are of two types:
 - ✓ Cognitive test: measures mental & intellectual aptitudes.
 - ✓ Motor test: measures physical dimension such as hand-eye coordination.

Human Resource Management

Figure 16.10 Aptitude Testing



Source:

http://www.google.co.in/imgres?imgurl=http://hrstrategiestoday.com/images/assess-the-total-person.jpg&imgrefurl=http://hrstrategiestoday.com/employment-testing.html&usq=__I9nitSaDaj0MZ4fOzNZ7sSErPFQ=&h=482&w=627&sz=21&hl=en&start=40&zoom=1&tbnid=qgrxbg-9EehnM:&tbnh=154&tbnw=200&ei=tFVITfqLEszKsgamxqjeCw&prev=/images%3Fq%3Demployent%2Btests%26um%3D1%26hl%3Den%26gbv%3D2%26biw%3D1024%26bih%3D677%26tbs%3Disch:10,1700&um=1&itbs=1&iact=hc&vpx=142&vpy=290&dur=6881&hovh=197&hovw=256&tx=187&ty=113&oei=k1VITaS1Np-c4Aa3ut21Bw&page=4&ndsp=13&ved=1t:429,r:5,s:40&biw=1024&bih=677

- **Proficiency test:** Performance or occupational test measures the skills already processed by individuals. They include:
 - ✓ Achievement test: measures the applicant's level of knowledge.
 - ✓ Skill test: measures the speed & accuracy with which the candidates can perform a particular task.
- **Interest test:** These tests serve in determining the individual's area of interest, desire, concern & involvement.
- **Personality test:** they seek to measure the personality traits of individuals, which are helpful in matching with the requirements of the job.
- **Situation test:** these tests determine the applicant's reaction to a particular situation- ability to withstand stress & decision- making in certain circumstances.
- **Objective test:** measures neurotic tendencies, self- sufficiency, submission & self-confidence.

iv. **Selection interview:** an interview involves a face-to-face conversation between the employer and the prospective candidates. The aim here is:

- To judge the candidates personality and overall suitability of the job
- To cross check the information obtained through application blank & tests
- To give an accurate picture of the job with details of terms and conditions

A variety of interviews are conducted for the purpose. Some of the important ones used are:

- **Unstructured Interview:** Open-ended questions are asked wherein the candidates are required to express their thoughts. This reflects the candidate's knowledge, communication ability & self- confidence.
- **Structured or Patterned interview:** Close- ended questions are pre-planned which are asked in a sequential manner with more or less expected answers.
- **In-depth Interview:** Designed to intensively examine the candidate's education, skills & knowledge in their particular area of interest.
- **Group interview:** designed to access the candidates & updating on a topic of discussion.

Human Resource Management

- **Stress Interview:** to judge the applicants conduct & behavior by intentionally putting them under stress, criticism & interruptions. It is helpful in analyzing how skillfully & tactfully they can handle such situations.
- **Panel/ Board Interview:** assessment is done by a group of people or the interview board or a selection committee

v. **Medical Examination:** a pre- employment physical examination or medical test of the candidates is an important step, which ensures about their health and physical fitness. A proper medical examination ensures higher standards of health of the prospective employees thereby reducing the rates of accidents, labour turnover and absenteeism.

vi. **Checking References:** A referee is potentially an important source of information about a candidate's ability and personality. Prior to the final selection, the employer normally makes an investigation on the references supplied by the applicant and undertakes a thorough search into the candidate's past employment, education, financial condition, police records etc.

vii. **Final Selection and Appointment Letter:** the candidates who clear all the selection hurdles are formally appointed either through an appointment letter or through a service agreement.

Value addition 16.5.2: Did You Know?

16.5 Examples of tools/ techniques followed by different Companies

Siemens India: It uses extensive psychometric instruments to evaluate short-listed candidates. The company uses occupational personality questionnaire to understand the candidate's personal attributes and occupational testing to measure competencies.

LG Electronics India: LG Electronics uses three psychometric tests to measure a person's responsiveness and assertiveness.

Arthur Anderson: While evaluating candidates, the company conducts for the position, largely based on his past experience and credentials.

PepsiCo India: the company uses India as a global recruitment resource. To select professionals for global careers with it, the company uses a competency – based interviewing that looks at the candidate's abilities in terms of strategizing, lateral thinking, problem – solving, managing the environment. This apart, Pepsi insists that to succeed in a global posting, these individuals possess strong functional knowledge and come from a cosmopolitan background.

(Taken from : Business Today, April 2005)

Human Resource Management

Value addition 16.5.3: Check Your Comprehension

16.5 Selection

1. Match the following terms with their right explanations:

a) Intelligence Test	Measures the technical skills.
b) Proficiency Test	Judges the reaction under various circumstances.
c) Situation Test	Judges the understanding, reasoning & decision-making skills.
2. Arrange the following to fit the selection procedure -

Application Blank, Interview, Preliminary screening, Medical Examination and Checking References.

Pick the option that best suits.

This section...

Completely understood	Partially Understood	Not understood
↓	↓	↓
Move on to next section	Move on to next section but note that you need to revise this.	You need to re read this and discuss it with your batch mates.

Value addition 16.5.4: Test Yourself

16.5 Selection

1. Distinguish between Recruitment & Selection?
2. What are the steps involved in the selection of employees?
3. You are starting a new manufacturing company. What phases would you go through to select your employees?

16.6 Training

Value addition 16.6.1: Focus of the Section

16.6 Training

This section gives an understanding of the role of training and methods of training widely employed. The aim is to understand that placing employees in jobs does not ensure their success, training helps employees in developing and improving skills related to performance.

16.6.1 Meaning

After selection, placement and induction of the employees, the next HRM function is to provide the employees with training and development so as to update and enhance their present as well as future job skills.

“Training is the act of increasing the knowledge and skills of an employee for doing a particular job. Training involves the development of skills that are usually necessary to perform a specific job. Its purpose is to achieve a change in the behavior of those trained and to enable them to do their jobs better” - Edward B. Flippo

Human Resource Management

Training is a learning process that involves the acquisition of knowledge, sharpening of skills, concepts, rules, or changing of attitudes and behaviors to enhance the performance of employees.

16.6.2 Role of Training

A variety of business environmental factors (both internal & external) force an organization to change. These changes put forth both opportunities (growth) and threats (challenges) on the very survival, expansion and existence of the organization. Training as a valuable tool facilitates learning and enhancing of knowledge and skills to provide business excellence in the form of:

- i. Optimum utilization of human resources.
 - ii. Matches the employee specifications with the job requirement and the organizational needs.
 - iii. Improves knowledge and skills to perform the job efficiently.
 - iv. Helps in reducing cost of production by eliminating/ reducing wastages.
 - v. Updates the knowledge and skills of employees.
 - vi. Ensures safety of employees.
 - vii. Bridges the gap between the existing performance ability and desired performance.
 - viii. Improves profitability and builds up positive attitudes towards profit orientation.
 - ix. Leads to personal growth of the employees
 - x. Increases confidence and boosts morale of the employees
 - xi. Helps in standardization of work methods
- Helps in meeting special man power requirements

Figure 16.11 Training Programme



Source:

http://www.google.co.in/imgres?imgurl=http://www.saifron.com/img2_training.jpg&imgrefurl=http://www.saifron.com/training.html&usq= 2BWJ6 IAeN1SozL0HvHX7BO273 A=&h=300&w=400&sz=70&hl=en&start=13&zoom=1&tbnid=cJJ7HeXYPijRfM:&tbnh=159&tbnw=212&ei=arllTfyuE4rcsga7xaneCw&prev=/images%3Fq%3Dtraining%26hl%3Den%26biw%3D1024%26bih%3D677%26gbv%3D2%26tbs%3Disch:10,925&itbs=1&iact=hc&vpx=332&vpy=122&dur=801&hovh=173&hovw=230&tx=134&ty=114&oei=0LdITYeYJ5-c4Abo0sXgCA&page=2&ndsp=12&ved=1t:429,r:9,s:13&biw=1024&bih=677

16.6.3 Types of Training

Here, we would be studying some of the most commonly used methods of training. The requirements of the organization, the trainee i.e. the employee, and the task being performed are some factors that determine the method by which training will be

Human Resource Management

imparted. The technique must be in tune with the audience (trainees), the objectives of training, and the content of the program, the remote and operational environment of the business. The chosen method must help employees to learn, apply and practice what they have been taught. It must also help trainees to retain and pass on their newly acquired skills and knowledge.

The choice of the training method can be influenced by certain other factors, these include:

- Age of the trainees
- Gender of the trainees
- Education level of the trainees
- Their learning style
- Number of trainees
- Budget of the training program
- Trainer's training style and his skill set

The important types of training generally imparted to employees are:

- i. **Induction or Orientation Training:** is imparted to the new recruits so as to give them the insights of the organization. The purpose is to make them comfortable in the new work environment and develop in them a sense of pride and commitment to the organization.
- ii. **Job Training:** relates to the specific job, which the worker has to perform acquainting them of the mechanism, technology and conceptual skills required to accomplish it successfully.
- iii. **Apprenticeship Training:** this training programme intends more towards education than to vocational training. It provides the trainees with the 'Earn While you learn' concept in addition to acquisition of valuable skills.
- iv. **Internship Training:** this is particularly useful where advanced theoretical knowledge is to be backed by practical exposure on the job. E.g. Engineers, scientists, accountants etc.
- v. **Refresher Training:** as the name suggests this form of training aims at refreshing/ retraining the existing employees with latest and the upgraded methods to improve their performance and efficiency.

16.6.4 Methods of Training

There are two types of training techniques that are commonly available to a business: on-the-job and off-the-job. The selection and use of a particular form of training technique is determined by the objectives of a Training Program.

On-the-job training is imparted to employees while they are on their jobs or while they are performing their day to day tasks and activities. It is learning while doing and by doing. In the process, they learn without any loss of man hours. As soon as a plan has been developed for what is to be taught, the details must be communicated to the employees. A timetable must also be formulated that include periodic assessments of employees' progress. The employees should be informed about their progress. On the other hand, off-the-job training method requires separating the trainee from his job. All his energy and attention must be focused on learning the aspects, literature or material related to the performance of his job. Here, the employees have a freedom of expression which as an opportunity is missing in on-the-job method of training.

16.6.4.1 On-The-Job-Training

This is the most effective method of training the operative personnel. It imparts training in the actual work environment by the immediate superior. The advantage associated with on-the -job training is it is simple and economical, No special place, equipment or instructor is required. The training is practice -oriented and promotes self-learning. But

Human Resource Management

it might disrupt the job routine and in the near course may damage the machinery. Some of the popular on-the-job training methods employed are:

- i. **Coaching and Mentoring:** coaching is a one-on-one relationship wherein the trainee receives personal guidance and instruction from the superior. Mentoring is a particular form of coaching used by experienced executives to groom their junior employees. These methods are effective when the superior is well trained and has sufficient time to provide direct guidance.
- ii. **Understudy:** The superior gives training to a subordinate as his assistant or understudy. The objective is to develop a successor to the retiring manager.
- iii. **Job Rotation:** This kind of training involves the movement of the trainee from one job to the other thereby giving them a general understanding of how the organization operates. It promotes creativity, innovation and exchange of ideas amongst people working at different jobs.
- iv. **Delegation:** Managers share a part of their authority with their immediate subordinates, which give them an opportunity to enhance their leadership and decision-making skills.

16.6.4.2 Off-The-Job-Training

This method imparts training away from the workplace. Training is provided by experts where the emphasis is more on learning than doing. Off-the-job training is suitable when job requirements are complex and number of employees to be trained is large as the cost involved is high. Some of the common off-the-job methods employed are:

- i. **Vestibule Training:** under this method, working conditions similar to the actual workplace are created in a classroom. The advantage associated with the method is that it does not disturb the actual work environment and relieves the line managers of the extra burden as training is provided by the experts. But the method is expensive and also the created work conditions may be different from the actual work conditions.
- ii. **Role Playing:** the method involves realistic behavior in an imaginary situation. The participants are required to enact the roles of different personnel in an organization so as to understand the problem faced at that job position and also to develop inter-personal interactions.
- iii. **Lecture method:** the method involves a direct method of instruction. Certain aspects of the job can be better learnt in the classroom rather than on the actual work place like- organizational orientation, issues of health, safety, productivity etc. the method proves economical when large groups are to be trained but it violates the principal of learning by doing and constitutes one-way communication.
- iv. **Conference training:** a conference is a group meeting conducted according to an organized plan in which members seek to develop knowledge and understanding by participation. Thus it is a group-centered approach where there is clarification of ideas, communication of procedures and standards to the trainees.
- v. **Case study:** a case relating to the organizational problem or the actual work condition is presented to the trainees. Through their in-depth analyses and judgment they provide for alternatives to solve the case. This helps in the development of mental and analytical skills.

Human Resource Management

Value addition 16.6.2: Check Your Comprehension

16.6 Training

1. Match the following terms with their right explanations:

- | | |
|----------------------------|---|
| a) Induction Training | Earn while you learn |
| b) Apprenticeship Training | Upgrades existing Skills |
| c) Refresher Training | New Recruittees |
| d) Internship Training | Environmental acquaintance and practical exposure |

Pick the option that best suits.

This section...

Completely understood	Partially Understood	Not understood
↓	↓	↓
Move on to next section	Move on to next section but note that you need to revise this.	You need to re read this and discuss it with your batch mates.

Value addition 16.6.3: Test Yourself

16.6 Training

1. Discuss the need and importance of training to employees.
2. What do you understand by the term training? Explain any four off-the-job techniques of training.
3. Discuss the importance of training from the point of view of the organization and the employee.
4. Explain the various methods of training.
5. Why does the need for training arise?

Value addition 16.6.4: Activity

16.6 Training

1. Name five companies each which use on-the -job and off- the job training techniques.

Human Resource Management

16.7 Compensation

Value addition 16.7.1: Focus of the Section
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16.7 Compensation

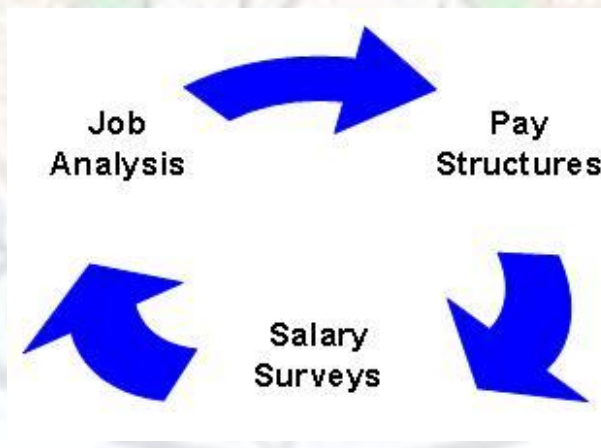
The aim of this section is to identifying the elements of compensation and methods of wage- payment. Placing employees in jobs does not ensure their success. New employees are often uncertain about their roles and responsibilities & similarly already working employees need to be updated with changes in technology, market environment, work systems and management style.
--

16.7.1 Concept

Human Resource is a very important asset for an organization. All decisions, tasks and results are an output generated by this asset so it is to be held responsible. Employees must be managed efficiently and properly motivated, this task can be accomplished by offering the best of remuneration and compensation according to the industry norms or standards. The selection and retention of best employees can be taken care of with the help of a sound compensation plan.

Compensation is nothing but the remuneration offered to an employee in return for his/her services to the organization. It is a practice which involves balancing the relationship between the services rendered and employees by means of monetary and non-monetary benefits. Organizational effectiveness and motivation of employees can be successfully achieved through compensation which is a part of human resource management. Business objectives and strategic goals pave way for designing compensation systems. The analysis of job and responsibilities associated with it are critical factors that help in formulating a Compensation system. Components of a compensation system are as follows:

Figure 16.12 Determinants of Compensation



Source: <http://payroll.naukrihub.com/>

Compensation that employees receive can be direct and/ or indirect, i.e., monetary and/ or non-monetary benefits such as perquisites & allowances etc. Compensation not only includes salary but all allowances and rewards given to the employees for rendering their services. An effectively managed compensation ensures high organizational productivity.

Human Resource Management

16.7.2 Methods of Compensation

- Base Compensation
- Supplementary Compensation

16.7.2.1 Base Compensation

This refers to the fixed basic wages and salaries paid to the employees every month. It generally comprises of:

- i. **Basic Pay:** It is the amount fixed upon the pay scale or salary scale for a job. The pay is related to the job, job content, job importance and the skills required.
- ii. **Dearness Allowance (D. A.):** It is paid to compensate for the inflation so as to maintain the real wages of the employees. The amount of D. A. depends on the rate of inflation.
- iii. **Hose Rent Allowance (HRA):** It is paid to compensate for the rent paid by the employees for their accommodation.
- iv. **City Compensatory Allowance (CCA):** It is paid to compensate for the high cost of living in different cities.

16.7.2.2 Supplementary Compensation

This refers to the extra benefits provided by the employers in addition to the normal compensation paid in the form of wage or salary. The basic purpose of supplementary compensation is to attract, retain and motivate employees. They are generally in the form of:

- i. Fringe benefits or perquisites
- ii. Incentive compensation

Fringe Benefits or Perquisites: They refer to the benefits and facilities paid in addition to the basic pay and allowances. Some of these benefits are paid under government rules and regulations, while others are paid voluntary by the employers. They may include:

- | | |
|-----------------------------------|-------------------------|
| a. Leave Travel Concessions (LTC) | h. Provident Fund |
| b. Medical Facilities | i. Pension |
| c. Rent Free Accommodation | j. Gratuity |
| d. Free or Subsidized meals | k. Group Insurance |
| e. Interest Free Loans | l. Flexi-working-Time |
| f. Legal Aid | m. Company Credit cards |
| g. Children's education | n. Club Membership |
| | o. Overtime Pay |

Incentive Compensation: they are performance linked rewards offered to motivate and increase efficiency of the employees. Some of these include:

- a. Performance Based Bonus
- b. Profit Sharing
- c. Cash Rewards
- d. Production Sharing
- e. Employee Stock Option Plan

Human Resource Management

16.7.2.3 Base vs. Supplementary Compensation

Basis	Base compensation	Supplementary compensation
Nature	Basic wages & salaries	Fringe Benefits
Payment Mode	Paid in cash	Offered in the form of services like- housing, medical, transport etc.
Objective	Paid to compensate for the employee's services	Paid to motivate & increase the efficiency of employees
Factors for Computation	Determined on the basis of factors like- job evaluation, Demand & supply of labour, organization's capacity to pay, productivity turnover, govt. regulations etc.	Determined on factors like- industry policies, philosophy of management, desire to retain talented employees, desire to enhance public image etc.

16.7.3 Compensation Management

Compensation Management or wage & Salary administration involves the selection, designing, development, and direction of programmes designed to implement compensation or incentive policy through financial and non-financial rewards. It is a systematic procedure for establishing a sound compensation structure.

16.7.3.1 Need for Compensation Management

Organizational Productivity can be increased by offering a lucrative compensation package that motivates the employees. Employees will be least interested to come and work for their organization unless a good compensation is provided to them. Thus, organizations can be run effectively and their goals be achieved if they have a sound compensation policy in place. A compensation system has several components and Salary is just a part of it, the employees have several needs that they want to fulfill, like psychological and self-actualization to name a few. Hence, compensation solves the problem. The most talented and skilled manpower can be attracted and retained with the help of a competitive compensation plan. However, a compensation package must adhere to the industry standards. A good compensation package motivates employees to increase organizational productivity. Without adequate exchange for services provided the employees would not be willing to work. Compensation also serves to satisfy and fulfill the psychological and self-actualization needs. It is needless to say, it attracts and retains talented work force.

Human Resource Management

Figure 16.13 Forms of Compensation



Source:

http://www.google.co.in/imgres?imgurl=http://www.mosel.com.tw/english/image/hr2.jpg&imgrefurl=http://www.mosel.com.tw/english/hr_3.asp&usq=__3u-k4HKezoKxeA0duWuXGXYb8Ak=&h=253&w=243&sz=73&hl=en&start=70&zoom=1&tbnid=QanqvV_P3iYr_M:&tbnh=171&tbnw=164&ei=TbxITfq9LcvDswbAuaHeCw&prev=/images%3Fq%3Dcompensation%2B%2526%2Bbenefits%26hl%3Den%26biw%3D1024%26bih%3D677%26gbv%3D2%26tbs%3Disch:10,2900&itbs=1&iact=hc&vpx=160&vpy=208&dur=4157&hovh=202&hovw=194&tx=108&ty=126&oei=LbxITf3fJdG24gbgivC6CA&page=6&ndsp=12&ved=1t:429,r:4,s:70&biw=1024&bih=677

16.7.3.2 Objectives of Compensation Management

The following objectives are sought through effective compensation management:

- i. **Attract Competent Workforce:** the compensation offered must be lucrative enough to attract talented and competent workforce, as this is a high motivational aspect to ensure not only their initial interest in the organization but also their retention in the near future.
- ii. **Ensure equity:** Compensation management strives for internal and external equity, which requires that the pay is related to the relative worth of the jobs and is also comparable to what the workers earn in competing firms.
- iii. **Control of cost:** a rational and well-designed compensation system ensures the organization to hire and retain the employees at reasonable costs.
- iv. **Comply with legal regulations:** Compensation policies must satisfy government rules in respect of minimum wages, bonus, allowances etc.
- v. **Easy to understand and apply:** the compensation management must be easy to understand and operate. This will promote understanding regarding pay-related matters between employees, unions and managers.

Value addition 16.7.2: Did You Know?

16.7 Compensation Mechanism of Infosys

Infosys Technologies Limited (ITL), one of the Country's best known software exporting house, treats its employees as partners and co-owners. It provides them challenging assignments, allows flexible working hours, rewards them solely on the basis of performance and conducts regular training programmes to upgrade their skills. It has an employee stock option plan (ESOP) to share its wealth with employees on the basis of their performance. Even lower level employees are proud owners of the prized stock worth 25- 30 lakh rupees, according to Narayan Murthy, the CEO of ITL. Apart from increasing share holder value, ESOP has greatly enhanced the image of the company in the information technology sector where employee attrition rates are very high. Even other companies like Proctor & Gamble, Johnson & Johnson, and Citibank have responded their faith in ESOP as a way of attracting and retaining talent in a highly competitive environment.

Human Resource Management

16.7.4 Methods of Wage- Payment

- Time-Wage - System
- Piece- Wage – System

16.7.4.1 Time- Wage- System

The wages are calculated on the basis of the time spent by the worker on the job. The time element can be an hour, a day, a week, a fortnight or a month. Thus the wages are calculated as:

$$\text{Wages (W)} = \text{Time Spent (T)} \times \text{Rate of Wages per Unit of Time}$$

Time-Rate – System of wage payment is suitable:

- Where quality of output is the main consideration
- Where work is standardized and non- repetitive
- Where work cannot be measured in terms of output produced
- Where work is creative and customized
- Where production process requires high degree of skill

16.7.4.2 Piece- Wage- System

The Wages payable to an employee are calculated on the basis of the number of units (output) produced. The earnings of a worker depend upon their speed and specialization of work. Wages are calculated as:

$$\text{Wages (W)} = \text{Number of Units Produced} \times \text{Rate Per unit}$$

Piece-Rate – System of wage payment is suitable:

- Where output can be measured in terms of number of units
- Where quantity of output is the main consideration
- Where work and work procedures are standardized in nature
- Where work does not require high degree of skill
- Where output involves more physical rather than mental work

Human Resource Management

16.7.4.3 Time- Wage vs. Piece- Wage

Basis	Time- Wage – System	Piece- Wage- system
Nature	Simple to understand & apply	Complex as workers find it difficult to calculate
Basis of Payment	Time spent on the job	Number of units produced.
Supervision	Strict supervision to reduce idle time of workers	No close monitoring as workers are conscious of their produce
Security	Provides sense of security as workers are assured of their wages	Creates feelings of financial insecurity
Quality of Output	High	Low
Wastage of Resources	Minimal Wastage	High wastage of material & machinery
Maintenance Cost	Low as machines & equipment are handled properly	In order to maximize produce, machines & equipment are not handled properly
Worker Efficiency	Wages not linked with efficiency of the worker	Wages directly linked with efficiency of worker
Incentives	No inducement for hard work	Rewards directly linked with output
Attitudes of Trade unions	Trade unions support it	Trade unions oppose it

Value addition 16.7.3: Check Your Comprehension

16.7 Compensation

- Write three keywords that should be a part of Compensation Management.
- Which of the following are included as fringe benefits?
Cash Rewards, Group Insurance, Club Membership, Employee Stock Option Plan, Overtime Pay, Profit sharing.
- Match the following terms with their right explanations:
 - Compensation Management Financial/ non-financial rewards in exchange of services
 - Incentives Selection/ designing & development of Compensation Programmes
 - Compensation Paid to compensate for inflation to maintain real wages
 - Dearness Allowance Motivation devices used to encourage work- effort

Pick the option that best suits.

This section...

Completely understood	Partially Understood	Not understood
↓	↓	↓
Move on to next section	Move on to next section but note that you need to revise this.	You need to re read this and discuss it with your batch mates.

Human Resource Management

Value addition 16.7.4: Test Yourself

16.7 Compensation

1. What do you mean by compensation of employees? What are its parts?
2. Distinguish between Base compensation and Supplementary compensation.
3. What objectives does Compensation Management fulfill?
4. What are the methods of Wage-Payment? Explain the benefits and limitations of time wage and piece wage systems of paying compensation.



Human Resource Management

Summary

- HRM is concerned with all aspects of managing Human Resource in an organization.
- It involves acquisition, development & retention of talented & qualified personnel. Generally staffing & HRM are used as synonym to one another but HRM is a wider concept than staffing.
- The former is an operative function & latter is a managerial function.
- The acquisition aspect of HRM begins with recruitment which provides a pool of prospective candidates to the organization for selection. These prospective candidates can be targeted from either internal or external sources.
- From the total applications received, selection is done to seek the candidates through an elaborate selection procedure to match their qualifications & skills with the job requirements.
- Recruitment is a positive function which aims at getting large number of applications whereas selection is a negative function which aims at cutting down the unsuitable candidates.
- The development function of HRM involves training & development of employees so as to enhance & upgrade their skills with new technology & advancements. These can either be taken up on –the –job or off- the-job.
- In order to retain employees it is essential to provide them with an adequate compensation package.
- Compensation includes two components- Base compensation which are fixed basic wages & salary and Supplementary compensation which are the extra benefits over & above the basic wages & salaries.
- In order to calculate the wages of productive workers both time –wage and piece-wage systems can be employed but time –wage is more suitable where quality of work is more important & work is standardized and non- repetitive whereas Piece-wage is more applicable where quantity of output is the main consideration.

Value addition 16.7.5: Key Words

Summary

[Managing HR](#)

[People Centric](#)

[Aggregate of Skills](#)

[Online Recruitment](#)

[Choosing](#)

[Positive Process](#)

[Negative Process](#)

[Learning Process](#)

[Retraining](#)

[Reward](#)

[Fixed Basic Wage](#)

[Perks](#)

[Compensation Structure](#)

[Units Produced](#)

Human Resource Management

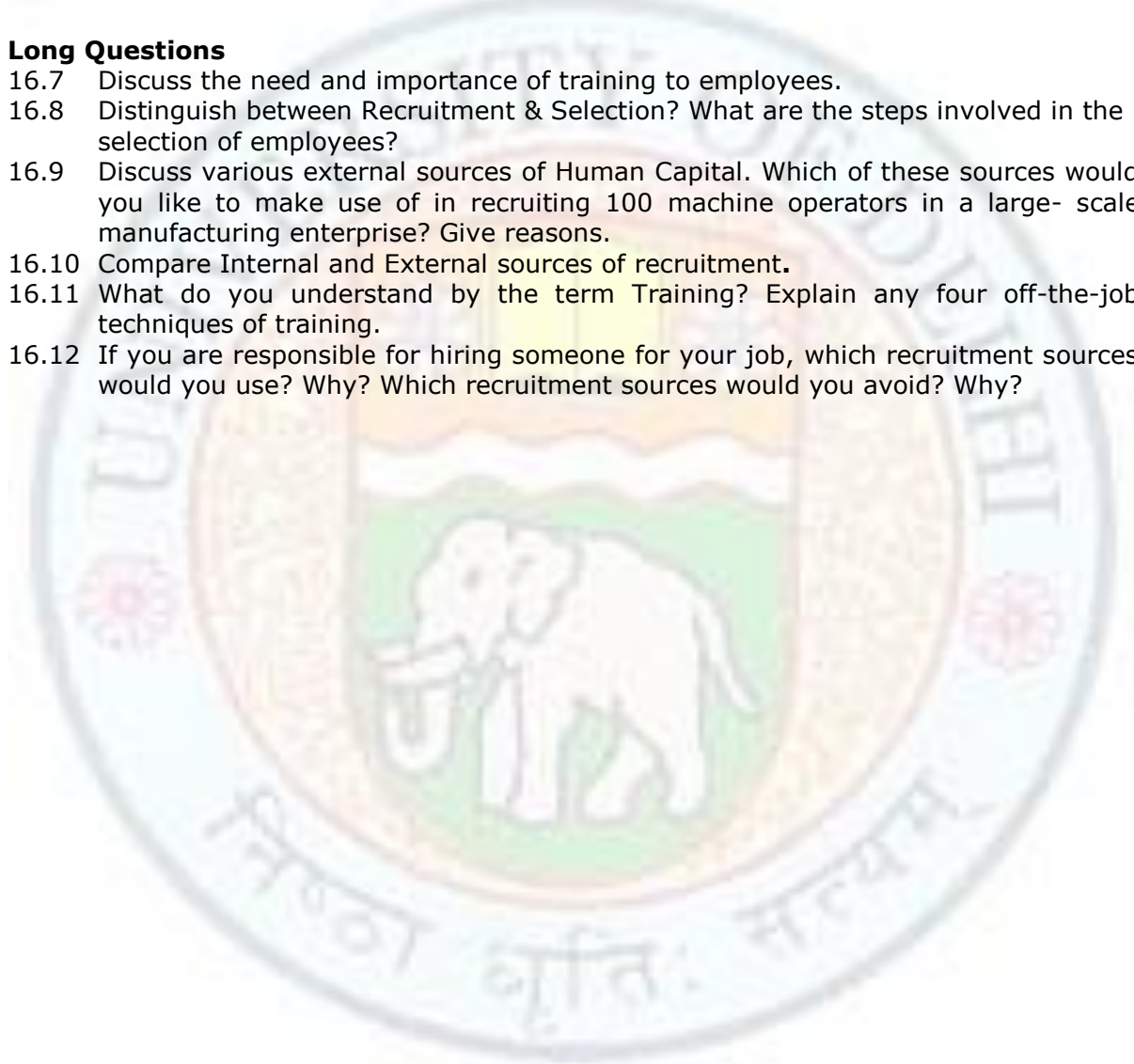
Exercise

Short Questions

- 16.1 Discuss HRM & outline its features.
- 16.2 What are the objectives of selection process?
- 16.3 Identify the need for training.
- 16.4 Define compensation. State the objectives of compensation planning.
- 16.5 Enumerate the different types of employment tests.
- 16.6 What are the various kinds of recruitment needs?

Long Questions

- 16.7 Discuss the need and importance of training to employees.
- 16.8 Distinguish between Recruitment & Selection? What are the steps involved in the selection of employees?
- 16.9 Discuss various external sources of Human Capital. Which of these sources would you like to make use of in recruiting 100 machine operators in a large- scale manufacturing enterprise? Give reasons.
- 16.10 Compare Internal and External sources of recruitment.
- 16.11 What do you understand by the term Training? Explain any four off-the-job techniques of training.
- 16.12 If you are responsible for hiring someone for your job, which recruitment sources would you use? Why? Which recruitment sources would you avoid? Why?



Human Resource Management

Glossary

Business Environment: An environment is anything outside the system. A business environment surrounds the business organization which affects its decisions, strategies, processes & performance.

Co-Partnership: In this system, the employee gets their usual wages, a share in the profits of the company & a share in the management of the company as well.

Downsizing: Cutting down the number of employees for economic reasons.

Employee Referral: A recommendation from the current employer regarding a job applicant

Employee Stock Option Plan (ESOP): It provides a mechanism wherein employees are given an option to purchase the stock of the company at a cheaper price.

Employee Turnover: Relates to the rate at which an employer gains & loses employees.

HR Department: the department that provides for all HR related services to other departments in an organization.

HR Planning: Getting the right kind of people into the right jobs at the right time.

Job: A group of positions similar in their significant duties.

Job Evaluation: a systematic way of assessing the relative worth of a job.

Lay- Off: Entails the separation of the employee from the organization for economic or business reasons.

Managerial Functions: A set of functions (planning, organizing, directing, controlling) directed at an organization's resources (human, finance, physical, informational) with the aim of achieving organizational goals in an efficient & effective manner.

Motivation: The process of stimulating people to action to accomplish desired goals.

Orientation: Acquainting new employees to the organization so as to make them familiar & comfortable.

Performance Appraisal: A systematic & objective way of evaluating both work related behaviour & potential of employees.

Production-Sharing: the term coined by the management thinker P.F. Drucker is an incentive mechanism given to the workers giving them a proportion of the total production.

Profit Sharing: A scheme wherein employers agree to pay a particular portion of net profits to eligible employees.

Retrenchment: A permanent layoff for reasons other than punishment but not retirement or termination.

Simulation: Representation of a real life situation which attempts to duplicate selected components of the situation along with their interrelationships in such a way that it can be manipulated by the user.

Training Needs Assessment: Diagnosis current problems & future challenges to be met through training & development.

Human Resource Management

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3. Web Links

- 16.1 To know about emerging strategic human resource challenges, visit:
 - www.shrm.org
 - www.ipma-hr.org
 - www.hrdatwork.com
- 16.2 Web based guide to effective interviewing:
 - www.curryinc.com
- 16.3 A variety of wage and benefit information can be obtained from:
 - www.acaonline.org
- 16.4 For pay survey sources visit:
 - <http://www.ioma.com>