Graduate Course

PAPER XVI-C : Human Resource Management

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CHAPTER 1: PERFORMANCE APPRAISAL

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After reading this chapter students will be able to understand the concept of:

- ***Meaning and Definition of Performance Appraisal***
- ***Significance/Objective/Role of Performance Appraisal***
- ***The Process of Performance Appraisal***
- ***Advantages & Limitations of Performance Appraisal***
- ***Essentials for Effective Performance Appraisal System***
- ***Methods of Performance Appraisal***
- ***MBO & Steps of Improve or Effectiveness of MBO***

Meaning and Definition

Performance appraisal or evaluation is a method of evaluating the behavior of employees in the workplace, normally including both the qualitative aspects of job performance. Performance appraisal is the Systematic evaluation of the individual with respect to his performance on the job and his potential for development. It is an ongoing process and its responsibility lies on the supervisor to determine how effectively his subordinates are performing different tasks allotted to them in their, positions, to identify and correct their weak points and to recommend them on the basis of their potentials. It is done by the individual's immediate supervisor in the organisation and whose performance is reviewed in turn by his supervisor. Thus performance appraisal is a process of assessing the performance and progress of an employee or a group of employees on the given job as well as his potential for future development.

According to Heyel, performance appraisal is the process of evaluating the performance and qualification of the employees in terms of the requirement of the job for which he is employed for purpose of administration including placement, selection for promotion, providing financial rewards and other actions which require differential treatment among the members of a group as distinguished from actions affecting all members equally.

According to Edwin Flippo "Performance appraisal is the systematic, periodic and impartial rating of an employee's excellence in matters pertaining to his present job and his potential for a better job".

According to Williom Werth and Keith Davis "Performance appraisal is the process by which organisations evaluate job performance.

Significance/Objective/Role of Performance Appraisal

The main objectives of performance appraisal are as follows:

1. ***Human Resource Planning:*** Performance appraisal generates significant information about the promotion ability and potential of employees. It is to the common interest of both the management and employees to promote employees into the position where they are best fit. It also gives the information about internal supply of human resources.

2. ***Checking the effectiveness of Recruitment & Selection Process:*** Performance appraisal helps to find out the areas of knowledge skills, and experience which the employee possess. This information can be used to review effectiveness of recruitment and selection procedures and practices so that right candidate can be selected.

3. ***Salary Administration:*** On the basis of performance appraisal information as input decision are taken for wage and salary administration. Financial incentives, promotions and appreciations are directly linked with performance appraisal.

4. ***Training & Development:*** Performance appraisal is helpful in identifying the areas of knowledge where training & development is necessary for certain employees. So that employees can overcome their weakness and improve their strengths. It can also provide the areas where the individuals with high potential can be groomed for higher positions.

5. ***Employee Relations:*** Performance appraisal brings the spirit of mutual understanding on co-operation between boss and the subordinate. Employees can have a continuous dialogue with their managers for clarifying misunderstanding and explaining mutual expectations. Thus they can be motivated and developed for better performance and higher productivity. It severs as a means of telling a subordinate how he is doing and suggesting necessary change in his knowledge behavior and attitude so that employee can take suitable steps to improve upon their performance or to correct their shortcoming.

The Process of Performance Appraisal

Performance appraisal process has a set pattern that is aimed to provide objective, balanced and unbiased opinion about the performance of employees. These steps are as follows:-

1. Setting the Performance Standards:

The process of appraisal starts with setting the standards for the employees. The criteria or standards are set with the help of job analysis. Performance standards should be mutually agreed upon, clear to understand and accurately measurable. Where the output is measurable the standards are said to clean but if performance can not be measured then personal characteristics such as honesty, reliability, co-operation, team work, initiative, leadership quality, judgment skills, learning ability, sense of responsibility etc. must be determined. Performance standards should be based upon objective of the appraisal.

2. Communicating the standards to employee:

The employees must know what is expected from them so the performance standards should be communicated to them. It is not only communication but the standards should be understood by the employee i.e. it is a two way communication i.e. standards should be understood in the same context and content. Similarly the evaluator should also know these standards so that they can know what is to be evaluated.

3. Measuring Actual Performance:

Measuring the actual performance is next step for the process of performance appraisal. For measuring actual performance the right techniques should be used. The evaluator should not be biased and the technique should be reliable. Personal observation, written reports, face to face contacts and statistical reports are the common sources for collecting information about the actual performance. 'What' is measured is however, more important than 'how' it is measured [De Cenzo, David A., and Robbins Stephens, P, ibid)

4. Comparing the actual performance with standards:

After measuring actual performance it is compared with the standards set in the beginning. Some deviation from standards can be expected. So it is important to know the extent of variation. Variation can be positive as well as negative. If actual performance is more than set standards it is said to be positive variation and vice-versa. It is also necessary to find out the causes for these deviations.

5. Discussing the appraisal with employee:

The results of the appraisal are communicated with the employee. It is also called the feed back sessions. The employee is able to know their strengths & weakness with the help of the feedback sessions. The causes of deviations are deeply analysed. Subordinates performance and progress are discussed and plans are mode for taking the corrective actions where ever required with discussing the appraisal with employee.

6. Taking Corrective actions:

The last step for appraisal process is taking corrective actions. If the deviation is within the acceptable range then no further action is required even though a watch may however be kept to ensure that performance remains within the acceptable range. If the variation is because of unrealistic standards which are either too high or too low then standards can be modified. Where deviation is serious in nature the corrective actions should be taken. Training, Coaching, Counseling etc. are examples of corrective action to improve performance.

Limitations of Performance Appraisal

The following are some of the more important problems or challenge faced in appraising employee pérformance, which can district appraisals.

1. ***Halo Effect:*** This is the error where the overall performance of an individual is rated on the basis of a trait or a general impression. One trait of the employee influences the rater's appraisal on all other traits. For an example an employee who is regular and punctual may be rated highly productive even though he is not so. Or a rater who is impressed with the dressing sense may rate an employee high although he is poor in working.
2. ***Error of comparison:*** This error is caused when raters makes comparison among employers instead of comparing their performance against performance standard. For example if out of 10 employees 4 are average and others are below average, these 4 employees are rated very well.
3. ***Personal Bias:*** Some times appraisal process is biased on basis of personal biasness of appraiser. These biased uses may on the basis of religion, regional, colour, on account of sex, or political view point etc. Negative bias may lead to low ratings.
4. ***Central Tendency:*** This error occurs when the raters evaluate the most of the employees around the centre of the rating scale. The rater do not like to rate the employee as effective or ineffective. They tend to steer away from extreme ratings so they avoid the excellent as well as poor category and assign ratings around the average category only.
5. ***Leniency/Strictness errors:*** Leniency error occurs when raters give higher rating to employees than they deserve. On the other hand strictness error occurs when raters tend to harsh in appraising their subordinates and give lower ratings then they deserve. Because rater wants to show himself as strict or tough evaluator.

6. ***Multiple Objectives:*** Where the objectives are unclear or there are too many objectives of appraisal. The real motive of appraisal can not be achieved.
7. ***Incompetence of Appraiser:*** Appraising some one less is a difficult job. It should be done effectively some time due to lack of knowledge and experience of the evaluator makes the performance appraisal ineffective.
8. ***Negative approach:*** Where the focus of appraisal is on punishment in case of appraisal is not up to mark rather than on development of employees, appraisal losses its effectiveness.

Essentials for Effective Performance appraisal system

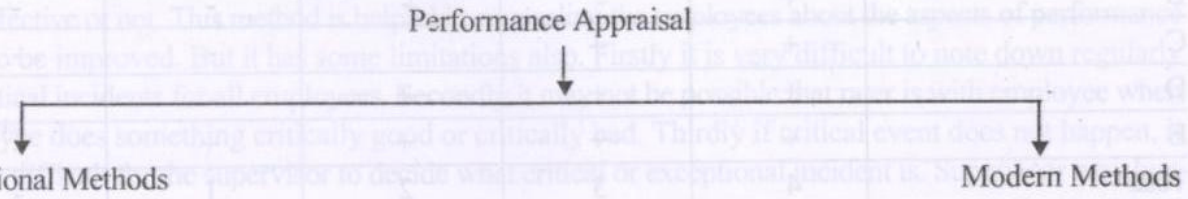
To make the performance appraisal effective it should have the following features:-

1. ***Clearly defined standards:*** Employee should know the nature of their job, manner in which it is expected to be performed and specific desired behaviors or results, that they are expected to achieve.
2. ***Mutual Understanding:*** There should be mutual trust and confidence between the appraiser and employee. It is necessary for unbiased discussion of appraisal.
3. ***Standardisation:*** The appraisal system & procedure should be standardised. The appraisal system should be performance based. Before setting the appraisal system employee participation is necessary. Employee should be fully aware of the appraisal procedure system.
4. **Continuous feedback:** Appraisal at the end of the year is some times gives wrong results. If an employee is not up to the standards in the last of the year even though he was doing well through out the year. To avoid such a problem a continuous feedback is necessary.
5. ***Training of appraiser:*** Appraiser should be trained in appraising the employees so that the common errors in appraisal could be reduced considerably. Appraiser should be provided with knowledge and skill to conduct performance appraisal of an employee.
6. ***Job relatedness:*** Only those behaviour and performances should be evaluated which are job related. It is also necessary to prepare a checklist so as to obtain and review job performance related information.
7. ***Multiple Appraisers:*** An appraisal by multiple appraisers reduces the probability of wrong appraisal. There may be a reviewer (who may be the superior of appraiser) to moderate the assessment if he feels it necessary.
8. ***Selecting the right appraisal tool:*** It is necessary to choose the right method for appraisal because each method has some limitations. It is some time better if appraiser uses more than one method for appraisal.
9. ***Post appraisal Interview:*** Performance appraisal is no use until it is property communicated to the employee. Constructive feedback is necessary to convey the outstanding achievements, failures and areas needing improvements.

Methods of Performance Appraisal

There are broadly two categories of techniques of performance appraisal. There is a traditional method where performance of an employee is done on the basis of standards of personal traits like

attitudes, judgement, initiative, leadership, loyalty, punctuality, knowledge of job etc. Modern methods are generally used by the modern concerns.



Traditional Methods

1. Essay Method:

In this method, evaluator describe in writing an employees strengths, weakness, suggestions for improvement. This essay is unstructured, however some organisations provides a specific format with specified heading to describe the traits and behaviour of an employee. This type of method is generally followed in small organisations because it is simple to use. It has some drawbacks also. Firstly it might be biased because how on employee is rated depends upon evaluators writing ability and not on employee performance. Secondly, it is a time consuming job and it is not possible to compare two essay appraisals due to variation in length & contents.

2. Employee Ranking Method:

In this methods supervisor ranks all employees from best to worst on one trait or several traits. In this method the best employee in ranked first and the poorest occupies last rank. For example, if a rater is appraising 20 employees, only one among them can be graded as the best. It is simple method to use & also time saving method. But it has some limitations also. It involves biased judgement because appraisal is not based on specifically defined measures of job related performance. it is also not possible to rate more than one person in one grade or rank. It is also not possible to find out the degree of variation between the two employees i.e. how much better or worse he is than another.

3. Paired Comparison Method:

In this method, each employee is rated in relation to every other employee, and the rating indicates whether the employee is a better number of pair. The number of times an employee is judged better than the others it determines his ranks. The number comparisons required equals $\frac{N(N-1)}{2}$ where N denotes number of employees to be rated. For example, if there are five employees to be rated then in the paired comparison method a chart will have to be prepared of all possible pairs of employees for each trait. For each trait, the rater should indicate (with a sign of +ve or –ve) who is the better employee of the pair. Thereafter the number of times an employee is rated better is added up.

Compared to	A	B	C	D	E
A	—	—	—	—	—
B	+	-	-	-	-
C	+	+		-	-
D	+	+	+	-	-
E	+	+	+	+	-
Total	4	3	2	1	-
Rank	I	II	III	IV	V

4. Forced Distribution Method:

Under this method rating is equal to grading on curve. The rater is required to distribute his rating in the form of a normal frequency distribution. For example the rater may decide to distribute employees as follows:

10% High Performers (Excellent)
20% Above Average Perform (Good)
40% Average Performer (Average)
20% Below Average Performer (Below Average)
10% Poor Performer (Poor)

Under this method rather has been forced to distribute the employees under different categories. If one department has all outstanding employees the supervisor would find it very difficult to decide who should be placed in the lower categories. It is very difficult for the rather to explain why an employee was placed in one group and other group.

5. Checklist Method:

In this method, a rater used a list of statement that describes job related behaviour. Rater uses a list of positive or negative statements of behavioural descriptions. The appraiser or rater has to tick or gives yes or no in response of the statements that best describe the employee's behaviour. On the basis of statement ticked. Scores are allotted to employee. A few checklist statements may be illustrated as follows:-

(a) Co-operates with co-workers. Yes/No
(b) Follows supervisor's order Yes/No
(c) Complete work on time Yes/No
(d) Maintains proper record Yes/No
(e) Looses temper with customers etc. Yes/No

However weighted checklist is the better method of appraisal where for each item a weight is assigned on the basis of successful job performance. Checklist method is easy to use and is not subject to the rating error of central tendency but in this method it is necessary to develop different check list for different job necessary.

6. Critical Incident Method:

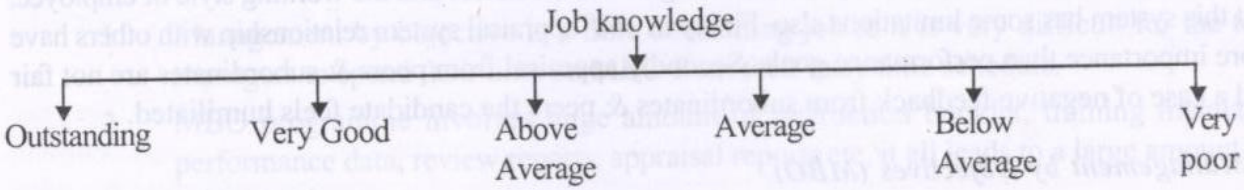
In this method rater is required to keep an official record of desirable and undesirable (favourable

or good and unfavourable or bad) examples of occurrence or behaviour in an employee's work performance. It is recorded in a specially designed note book where rater record the performance in the form of an incident describing what employees did or did not do, and whether their performance was effective or not. This method is helpful in counseling the employees about the aspects of performance need to be improved. But it has some limitations also. Firstly it is very difficult to note down regularly the critical incidents for all employees. Secondly it may not be possible that rater is with employee when employee does something critically good or critically bad. Thirdly if critical event does not happen, it will be difficult for the supervisor to decide what critical or exceptional incident is. Supervisor may bias in recording critical incidents.

7. Graphic Rating Method:

This is the simplest & one of the oldest methods. Under this method, a scale is established that lists a number of traits and a range of performance of each of the trait. These factors include, quality, volume of work, loyalty, job knowledge, dependability attitude, reliability, independence etc. Each of these factors is clearly defined and, against it, a scale or continuum of five or ten points, with a descriptive phase indicating the level of performance from excellent to poor. The supervisor rates each employee by circling or checking the score that best describes subordinates performance gap each trait and then assigned values for all the traits are totalled.

For example



Some companies instead of appraising general traits or factors such as punctuality, reliability, job knowledge etc they appraise their subordinates on the basis of duties assigned to them.

e.g.

Customer Relationship	1 ☐	2 ☐	3 ☐	4 ☐	5 ☐
Record Maintenance	1 ☐	2 ☐	3 ☐	4 ☐	5 ☐

Modern Approach

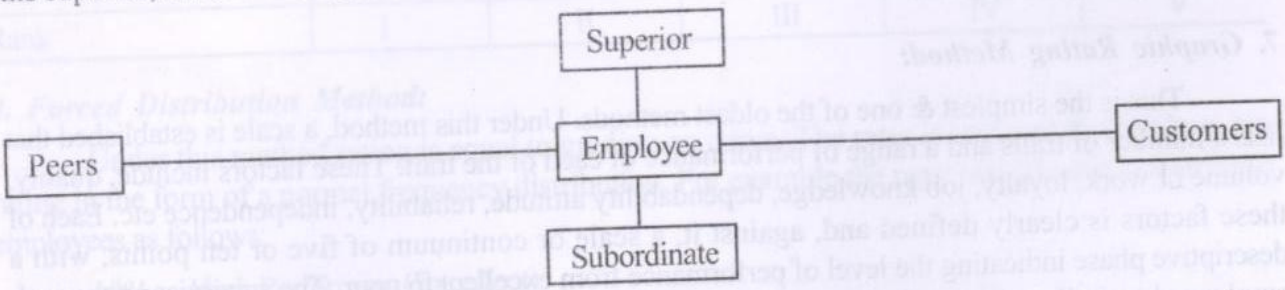
Behaviourally Anchored Rating Scales (BARS)

This method combines main elements of the critical incidents methods and graphic rating scale method. The appraiser rates the employees based on items along a continuum, however, these points are examples of actual behaviour on the given job rather than general descriptions or traits or characteristics. Behaviourally Anchored Rating Scales (BARS) are designed to identify critical areas of performance for a job, and to describe the more effective and less effective job behaviour for getting results. The supervisor is asked to compare the employee's actual behaviour with the behaviour that has been previously determined to be more or less effective along a continum. This method is more effective and gives an error free rating but for this a careful methodology is adopted in the development

of specific scales. The points on the continum, which are like critical incidents are carefully developed in consultation with managers, employees, and a group of experts, using specific examples of effective and ineffective behaviours regarding each performance dimension. Then each statement developed is assigned numerical value representing the level of performance.

360⁰ Appraisal Method

In this method on employee is being rated by own team. It involves rating of an employee by his superior, subordinates, peers & customers.



For the purpose of evaluation a structured questionnaires are used to collect responses about the employees from his bosses, colleagues, subordinates and others. On the basis of information collected through questionnaires counseling sessions are arranged with the employee to remove the weakness. This method helps in find out the strengths and weakness and the working style of employee. But this system has some limitations also. Firstly in 360⁰ appraisal system relationship with others have more importance than performance goals. Secondly appraisal from peers & subordinates are not fair and a case of negative feedback from subordinates & peers the candidate feels humiliated.

3. Management by Objectives (MBO)

The term Management by Objectives is coined by Peter Drucker. He says that Management by objectives and self control is a philosophy of management, resting on a concept of human action, human behaviour, and human motivation. Management by objectives applies to every manager at any level and to all business enterprises whether large or small. He says the Management by Objective "ensures performance by converting objective needs into personal goal."

Management by objective is a 'process whereby the superior and subordinate managers of an organisation jointly identify its common goals, defines each individuals major areas of responsibility in terms of result expected to him and use these measures as guides for operating the units and assessing the contributions of each of its members.

The main processes involved in performance appraisal through MBO are as follows:

1. ***Setting Objectives:*** First of all organisational goals or set down. These goals must be clearly defined in a measurable term after keeping in mind SWOT (Strengths, Weakness Opportunities & Threat) Analysis of the organisation.
2. ***Defining Performance Targets:*** Each employee's goals are defined on the basis of organisational goals. The subordinates discuss his job description with his superior and they agree on the contents of the jobs and key result areas. Every subordinate writes down his own performance goals which are work related. Then he sits with his superior to discuss these targets and plans and finally goals & objectives are prepared.
3. ***Performance Review:*** Performance review is done periodically. In the review meeting

progress is assessed, weakness and constraints are identified and steps are taken to improve performance are decided.

4. ***Performance Appraisal:*** The actual performance is evaluated against the set objectives. On the basis of performance review records are decided. Such assessment is also useful for determining the targets for next year with the modifications in standards if necessary. The feed back on performance is communicated to the employee so that he can regulate and improve upon own performance.

Advantages of MBO

1. MBO forces managers to set objective with balanced stress on key result areas.
2. With the clear targets in mind the chances of role conflict and ambiguity can be reduced.
3. An employee knows in advance what are the results expected from him and what are the basis on which is performance is being appraised.
4. Since individual objectives or standards are decided with the consultation of employee the job satisfaction and morale of the employee tends to be higher.
5. Self assessment and continuous feedback decides the areas of improvement and develop the leadership quality among employees.

Limitations of MBO

1. Management by objective is a time consuming job & it is very difficult for the top managers to spend their time on MBO from their busy time schedule.
2. MBO programme involves huge amount of instruction booklet, training manuals, performance data, review reports, appraisal reports etc, it all leads to a large amount of paper work.
3. It is difficult to set truely verifiable goals for all jobs. Blue collar workers are often unable to set their goals. For goal setting participation is necessary. But subordinates tries to set lower targets whereas superior insist on higher targets.
4. MBO is a time consuming and expensive job especially in the early phases of its introduction when employees are unfamiliar with its process.

Steps of improve or Effectiveness of Management by Objectives

To make MBO process more effective the following points should be kept in mind.

1. Top management support and their initiation is necessary.
2. Objective or goals of the company must be clearly defined.
3. Job contents are individual goals must be prepared in keeping in mind the goals of the company.
4. Training is required in interpersonal relations & participate decision making.
5. Focus of the management must be on solving problems rather than finding the loopholes or fault of employees.
6. Proper feedback must be given to employee who leads to self improvement in employees.
7. Conflicting objectives are not set at any level

EMPLOYEE COUNSELING

In an organisation different people work together in groups. Attitude, feelings, nature and needs differ from person to person. As there are different people working an organisation their attitude, feelings also differ, which some times lead to emotional conflict between them. According to Keith Davis counseling is "Discussion of an emotional problem with an employee with the general objective of decreasing it. It relates to a method of understanding and helping people who are upset emotionally.

Counseling is a two way process in which a counselor provides help to the worker by way of advice and guidance. Many times employee needs guidance and counseling during work situations. Counseling helps in improving the works performance and helps in reducing his emotional distress. Need for counseling arises when there is a conflict between the employees or employee feel stressed or frustrated. Due to people of different nature, feelings & attitudes generally conflict arises between them. It may cause emotional upsets. Counseling assists conflict resolution by reducing emotional blockages. Stress over a long period of time may result in physical and emotional disorders and lowered effectiveness. It is also affected by the tolerance power of the person concerned. Stress may arise due to work load, pressure of work, tension, insecurity, family and financial problem. When the worker feels that opportunity for promotion or future prospects are blocked he feels frustrated.

Functions of Counseling

The objective of the counseling is to help the worker in his emotional problems so that he accomplishes his goals and gains self-confidence, self control, understanding and ability to work effectively. To achieve this following counseling functions are being performed:

1. ***Advice:*** Advice is one of the functions of counseling. The advice giving activity involves judgments about on individual emotional problems and suggesting the necessary course of action. But is a complicated job because of inability of a person to understand the other person's emotional feeling and suggesting him a solution for it.
2. ***Re-assurance:*** Reassurance refers to a way of providing courage to a worker to face the problem and create a confidence in himself that he is following the right course of action. But reassurance is useful in certain situations, if handled carefully.
3. ***Release of Tension:*** It is also called emotional catharsis. By expressing his emotional problem during the process of counseling, the employees tend to get an emotional release from their frustration and all other problems as soon as they tell their problem to some sympathetic listeners. They feel relaxed. Although the release of tension may not necessarily solve his problem but it removes mental barriers and enables him to or face problem boldly.
4. ***Reorientation:*** It relates to a change in an individual's psychic self stemming from a change in his basic goals and values. It is generally done by professional counselor rather than a line executive. It involves revision of the workers level of aspiration to bring it more in line with actual attainment.
5. ***Clarified Thinking:*** It is done outside the counseling session as a result of certain development during counseling session. During counseling session the mental blocks are cleared and employee can think rationally. With clarified thinking, the individual tends to accepts responsibility for solving his emotional problem in a realistic way.

SELF PREPARATORY QUESTIONS

Q.1 What is performance appraisal? Describe its objectives.

Q.2 Explain the importance and limitations of performance appraisal.

Q.3 Briefly discuss various methods of performance appraisal. State the requirement of an effective performance appraisal program.

Q.4 Describe the performance appraisal through MBO.

Q.5 Explain the essentials of an effective performance appraisal program.

Q.6 Write short note on:

- Appraisal of Manager.
- Potential appraisal.
- Behaviorally Anchored Rating Scales.

Q.7 Describe advantages & limitation of MBO as a technique of performance appraisal.

CHAPTER 2: JOB CHANGES – TRANSFERS, PROMOTIONS AND SEPARATIONS

— *Manu Umesh*

After reading this chapter students will be able to understand the concept of:

- ***Job Change, Purpose & Objective of Job Changes***
- ***Transfer, Types of Transfer & Transfer Policy***
- ***Promotion, Promotion Vs Transfer, Advantages & Basis of promotion***
- ***Seniority, Seniority vs. Merit***
- ***Promotion Policy, Open Vs. Closed Promotion System***
- ***Demotion & Demotion Policy***
- ***Separations, Resignation, Retirement, Lay-off***
- ***Discharge, Dismissal, Termination and Retrenchment***

Introduction

Job change means movement of an employee from one job to another, either in the same department/organisation or involving two or more organisation. Employees move from one job to another through transfers, promotions, demotion, and job separations in the form of layoffs, resignations and terminations. The conditions which affect the job change in an organisation is as follows:

1. Change in technology leads to change in job.
2. Introduction of new product or stoppage of existing products.
3. Change in the volume of work due to expansion, diversification and recession etc.
4. Change in organisational structure.
5. Change in government policy.
6. Problem of maintaining interpersonal relations.
7. Change in economic conditions.

To cope up with above changes, organization go for job changes of the existing workforce. Job changes might involve transfers, promotions, retirement etc.

Purpose/Objective of Job Changes

1. To improve the effectiveness of the organisation job changes should be implemented. The successful functioning of an organisation depends largely on effective implementation of its policies and programmes.
2. If there is a proper match between qualification of the employee and job requirement then the knowledge, skill and potential of an employee can be utilised in an optimum manner.
3. During depression and recession, layoffs and transfer help management to reduce labour cost by adjusting the work force to the operating level. Even in the period of prosperity, promotion and transfers are used to meet the demand for higher order skills.

4. Job change can also be used as a disciplinary action, eg. demotion & layoffs may be used to punish employees.

Transfer

Transfer may be defined as a change in job within the organisation where the new job is substantially equal to the old in terms of pay, status and responsibility. Transfer may be initiated either by company or the employee. A company may transfer its employee if it feels that transfer makes them in a better place and makes him more effective. Employees may initiate transfer to locations where they are likely to get greater satisfaction. Some time due to ill health, absenteeism etc. temporary transfers are made. Whereas permanent transfer are made due to changes in workload, death, retirement, resignation etc. of some employees. Generally transfers are made to achieve following objectives:

1. Employees may transfer due to change in volume of production, change in production process, change in production line etc.
2. An employee may be transferred because management feels that his capacities would be better utilised elsewhere.
3. Sometimes to make employee more versatile transfers are made. With the help of promotions they can widen their knowledge & skills.
4. Employees from the overstaffed division may be transferred to the place where vacancies exist.
5. Sometime in the form of disciplinary action an employee may be transfer. In such a case they are transferred to remote area.
6. Transfer may be made to give relief to the employee who are overburdened or doing risk work for long period.

Types of Transfer

Employee transfers may be classified as follows:-

1. ***Production Transfer:*** When there is a need of employee in one department and surplus manpower in the other department. It is called production transfers. Production transfers are made from the overstaffed department to the department who need employees. Such transfers help to stabilise employment.
2. ***Versatility transfer:*** It is also known as rotation transfer. It help to increase the versatility of the employee. Employee is move from one job to another to get the knowledge of each type of job. It helps to reduce boredom and monotony.
3. ***Remedial transfer:*** Such transfers are made to rectify the mistakes done at the time of selection & placement. Strongly placed employee is transferred to a more suitable job. The employee is transferred to a job where he is best suited.
4. ***Shift Transfer:*** Where the company runs in different shifts an employee may be transferred from one shift to another. This may be due to some family reasons or personal reasons of an employee. e.g. marriage, infant care, old parents etc.

Transfer Policy

Transfer policy should clearly specify the types of transfers and the conditions under which they will be made. Transfer should be made according to the personnel policy of the company and not for the sake of transfer only. It should not be done without any reason. The transfer policy should specify

the basis of transfer. These basis may be seniority, competence and other factors whether transfers can be made within a unit or between departments and divisions should be a part of the transfer policy. Transfer should not be made frequently or without any reason because when employee is transferred it takes time or him to adjust and thus performance is bound to suffer. So it is better if transfer is made according to policy of the company. A good transfer policy should satisfy the following requirement-

1. The transfer policy should clearly specify the types & circumstances under which transfer will be done.
2. It should lay down the basis of transfer eg. When two or more person wants transfer to the same job then what should be the basis of decision whether seniority, merit or any other factor.
3. It should specify the effect of transfer on seniority and pay of the employee.
4. Reasons which will be considered for personal transfer and their order of priority should be specified.
5. Policy should be clear whether transfer can be made only within a department or also between departments.
6. It should indicate the executive responsible for initiating and approving the transfer.
7. Transfer should be done in consultation with the employee & he should be made known well in advance.

PROMOTION

Concept of Promotion

Promotion is a type of transfer involving reassignment of an employee to a position that is higher in pay and is likely to offer greater responsibility, privileges and opportunities. Promotion results in upward movement of an employee in the hierarchy of the organisation commanding greater authority, higher status and better working conditions. Higher status and higher salary are the two important features of a promotion. Promotion can be temporary or permanent depending upon the needs of the organisation. If promotion is done without an increase in the pay it is called dry promotion.

Promotion and Upgradation

Promotion is different from upgradation. In case of upgradation the scale of salary of an employee increases without change of job. On the other hand promotion involves change of job with increase in status, authority & salary. Both are used as a reward for an employee but due to limited vacancies at higher level, it is not possible for management to promote all employees. So upgradation is a motivation for those employees who can not be promoted.

Promotion Vs Transfer

Transfer refers to changes in which the pay, status and job conditions of new position or job are almost the same as that of old, i.e. same level, same pay scale and same authority and status but on the other hand promotion includes higher pay, higher status and job conditions as compared to the old.

Promotion implied an upward elevation of an individual in terms of job responsibilities, pay scale and status. But transfer refers to a lateral shift of an individual from one job position to another on the same occupational level and pay scale.

Advantages of promotion

1. It helps in motivating the employee towards better performance.
2. It keeps the morale of the employee high.
3. To retain skilled and talented employees.
4. To develop a competent internal source of employees for higher level jobs.
5. Due to internal source of employee there is no cost of recruitment, selection. Cost of training is also negligible.
6. To develop a competitive spirit among employees for acquiring knowledge and skills required by higher level job.

Basis of Promotion

Promotion can be made on the basis of seniority or ability or a combination of both.

Seniority as a basis

Seniority implies length of service. It is assumed that senior employee is having more talent and there is a direct relationship between seniority and talent. It is easy to judge the seniority of an employee on the basis of length of service. This system is easy to understand & operate. There is no chance of favouritism. It creates sense of security among employees and avoids any conflict arising from promotion decisions. Every employee can find himself in the promotion list. This system is generally supported by trade unions and therefore contributes to cordial industrial relation. It provides a sense of satisfaction to senior employees and helps to reduce labour turnover since every employee has a chance of being promoted. But this system has some limitations also. The length of service does not have any relation with talent. The performance and potential of the person is not recognised. So the zeal among the employees to improve their efficiency totally ends because every employee will be promoted without improvement. The concern fails to attract young hardworking employees.

Ability as a basis

Ability means merit of an employee and it includes knowledge, skills and performance. Policy of promotion on the basis of merit/ability has the following advantages:

1. It motivates the employee having potential for development.
2. It helps to maintain the efficiency of the organisation by recognising talent and performance.
3. This policy attracts & retains young and promising candidates to apply for the job.

Merit based promotion system suffers the following disadvantages:

1. Judging merit is some times become subjective & hence difficult to judge merit.
2. Trade union & workers distrust the integrity of management.
3. Merit is judged on the basis of past performance. It is difficult to judge future potential on the basis of past performance.
4. When young employee is promoted old employees generally not supports him.

Seniority vs. Merit

Since both seniority and merit basis of promotion have certain limitations so the promotion policy should be based on a combination of both seniority and merit. So the proper balance can be created between the two system. These criteria may be

1) Minimum length of service may be prescribed for promotion e.g. a minimum length of service for eligibility of promotion is5 years.

2) Employees with a minimum performance record and qualification are treated eligible for promotion.

3) Relative weights may be assigned to seniority and merit.

The figure displays a spectrum of merit and seniority criteria for taking promotion decision.

Consider Seniority as the only determinant

Increasing

Increasing

Select the senior, if otherwise not unfit

Weight

Weight

Minimum length of service required before considering for promotio

of

of

Selection the most meritorious, among the senior employees

Seniority

Merit

From the best, select the senior
Consider merit & ability only

Source : Bata K Dey : Carrer Management, Indian Journal Published Administration.

Promotion Policy

Every organisation must develop on effective promotion policy. It must be in writing and should be clear to all employees. It must provide for a uniform distribution of promotional opportunity throughout the company. Promotion policy should be clearly specified & due weightage should be given to seniority, merit and future potential of and employee. For this a detailed records of performance should be maintained for all employees. Suitable training and development opportunities should be provided so that employees can prepare themselves for advancement. It should be consistent i.e. it should be applied uniformity irrespective of the person concerned. The promotion policy should be flexible and internal staff should be given a fair chance of promotion before higher level post are filled from outside. It should correlate with the future career planning. A provision for appeal against the management decision and its review should be made.

Open Vs. Closed Promotion System

If company consider all the existing employees as potential candidates and announce internally such position openings then this system is called open promotion system. But where an organisation does not announces the vacancies or vacancy is restricted and not open for all then it is called closed promotion system. An organisation generally adopt the combination for both type of system e.g. below a certain managerial level an open system is used and above that level, the selection may be done by maintaining great secrecy.

Demotion

It is downword movement of an employee in the organisation hierarchy with lower status and lower salary. It is just opposite of promotion. It is just a type of punishment for mistakes of serious nature. It affects the status, career and income of the employee. It should be used tactfully and only when it is absolutely necessary. It is necessary under the following conditions.

1. In case of recession or in case of low demand an enterprises has to eliminate jobs in such a case some senior employees have to accept lower level positions till normalcy is restored.
2. On account of changes in technology and work methods some employees may be unable to handle their jobs and may have to be demoted.
3. It may be necessary to use demotion as a tool of disciplinary action against erring employees, but it should be used exceptionally because it affect job satisfaction and morale of employees.
4. Where on employee is being previously promoted on a trial basis and the progress of the promoted employee is not upto the requirement of the job. Thus demotion helps to correct the error in promotion.

Demotion Policy

The demotion should be used only when it is absolutely necessary. Demotions should not be made for genuine reasons. The circumstances under which employees can be demoted should be clearly specified and made known to employees. The policy should be fair and impartial. A provision should be made for appeal and review of every demotion. Demotion humiliates employees so it is therefore desirable to avoid demotions as far as possible.

SEPARATIONS

When an employee leaves the organisation because the service agreement with organisation comes to an end is called separation. It may occur due to resignation, retirement, death, dismissal and layoff.

Resignation

Resignation is generally a voluntary separation initiated by the employee himself. An employee may resign on grounds of ill health, marriage, better opportunities in other organisation, etc. Sometimes employer forced the employee to go for resignation as an alternative to termination, it is called compulsory resignation initiated by the employer. Personnel department should investigate the real cause of resignation and try to escape avoidable resignations by brining some improvement in the organisation climate. Personnel department should conduct Exit-Interview to obtain data for analysing causes of turnover. Excess turnover of personnel is costly affair for the organisation because investment in recruitment, selection and training is lost.

Retirement

Majority of seperation of employees are by way of retirement. Every organisation has a clear cut rules as to retirement. It may be of following kinds:

(a) ***Compulsory retirement:*** An employee must retire compulsorily after attaining the specified age. For government employee the age of retirement is 60. In private organisations employees may be given extension till they are fit for the job.

(b) ***Premature Retirement:*** Some time due to unavoidable cause employees retire prematurely. These unavoidable reasons may be ill-health, physical disability, marriage (specially in case of women employees) family problems etc. They may be given full retirement benefits provided the management allows premature retirement.

(c) ***Voluntary Retirement:*** When organisation wants to reduce its workforce, it may give an option to its employees with a certain minimum service for voluntary retirement in return for a lump sum payment. This scheme is called voluntary retirement scheme and the type of retirement is called Golden Hand Shake.

(d) ***Force Retirement:*** If an employee is fund guilty because of violating some provisions of service agreement or he is punished by court of law, he may be forced to retire from the service with or without any benefit even before attaining the age of retirement.

Lay-off

A lay-off is the temporary or indefinite removal of employees from the payroll. It is also called downsizing. In case of lay-off the employee is not terminated and is expected to be called back in future. The purpose of layoff is to reduce the financial burden of the organization when the human resource cannot be utilised profitably. The purpose of layoff may be economic or business reasons or restructuring of the organisation such as mergers or acquisition. According to Sec. 2(kkk) of the Industrial Dispute Act, 1947, Layoff means the failure, refusal or inability of an employer on account of shortage of coal, power or raw materials or accumulation of stocks, breakdown of machinery or by any other reason to give employment to a workman whose name appears on the muster rolls.

According to Section 25(cc) of the Industrial Dispute Act, 1947 if an employee, who is not a casual worker & his name appears on the muster role of the industrial establishment and must have completed not less than one year of continuous service, if layed off then he is entitled to compensation equal to 50 percent of the basic wages and dearness allowance that would have been payable to him had he not been laid off.

Lay-off involves great cost to the organisation. So every step should be taken to avoid it.

Discharge/Dismissal/Termination

It is also called firing the employee. Employee may be separated by discharge of employment relationship. Discharge refers to terminating the employee from services by way of punishment for misconduct or unsatisfactory performance or violating the company rules.

Termination is trouble some and painful process and should therefore, be resorted to with great care. It should be supported by a just and sufficient cause. The causes for such an action should be clearly laid down and communicated to the employee being dismissed. Before an employee is discharged he must be given the opportunity to explain his conduct and to show cause why he should not be dismissed.

Retrenchment

Retrenchment means permanent termination of employee due to reduction in the demand of workforce. It is generally due to economic or business reasons. It creates a sense of insecurity and resentment among the staff. According to Industrial Disputes Act, 1947 at least one months notice in writing indicating the reasons for retrenchment and 3 months notice in case establishment employing 100 or more employees or wages in lieu of such notice should be given to the employee. The employer must

be paid compensation equal to 15 days wages for every completed year of service. Retrenchment worker must be given preference in future employment.

SELF PREPARATORY QUESTIONS

Q.1 What do you understand by transfer? Describe various types of transfers.

Q.2 Explain the need for transfer?

Q.3 Describe the essential of good transfer policy.

Q.4 Define promotion. Explain the relative merits and demerits of the basis on which promotion is done.

Q.5 Explain advantages of promotion as a basis of job changes.

Q.6 What is demotion and why is it required? Explain the requirements of proper demotion policy.

Q.7 Distinguish between suspension, dismissal and retirement.

CHAPTER 3: COMPENSATION: WAGE AND SALARY ADMINISTRATION

— *Manu Umesh*

After reading this chapter students will be able to understand the concept of:

- ***Employee Compensation, Objective & Factors affecting Compensation***
- ***Essentials of a Sound Wage Salary Structure***
- ***Principles of wage & Salary Administration***
- ***Method of Wage Payment***
- ***The process of wage Determination***
- ***Wage Administration Rules***
- ***Wage Components in India***
- ***Incentives & Fringe Benefits***
- ***Executive Compensation***

Introduction

Employee compensation is an important responsibility of human resource management. For attracting and retaining talented employees, every organisation must offer good wages and fringe benefits. If compensation offered by the firm are not competitive as compared to other firms, the efficient workers may leave the firm. Compensation to workers will vary depending upon the nature of job, skills required, risk involved, nature of working conditions paying capacity of the employer, bargaining power of the trade union, wages and benefits offered by the other units in the region or industry, etc.

Compensation may be defined as money received in the performance of work, plus the many kinds of benefits and services that organisations provide their employees. Many is included under direct compensation, popularly known as wages, while benefit comes under indirect compensation, popularly known as wages, while benefit comes under indirect compensation, and may consist of life, accident and health insurance, the employer's contribution to retirement, pay for vacation or illness and employer's required payments for employer's welfare as social security.

Sometimes, compensation refers to both extrinsic rewards and intrinsic rewards. Extrinsic rewards refer to direct compensation, indirect compensation and non-financial rewards. Direct compensation includes basic wages or salary, overtime and holiday premium, performance bonus, profit sharing and stock options and indirect compensation includes protection programmes, pay for time not worked, services and perquisites. While non-financial compensation includes preferred office furnishing, preferred lunch hours, preferred work assignments, business cards and impressive job titles. Intrinsic rewards are those that an individual receives for himself. They are largely a result of the job that the worker does. The techniques of job enrichment, shorter work weeks, flexible work hours, project structure and job rotation can offer intrinsic rewards through providing interesting and challenging jobs and allowing the workers greater freedom.

Objective of Compensation System

Its basic objective is to establish and maintain an equitable wage and salary structure. Its secondary objective is the establishment and maintenance of an equitable labour structure cost. An optimal balancing of conflicting personal interest so that the satisfaction of employees and employers is maximised and conflicts minimised. The compensation system is concerned with the financial aspects of needs, motivation and rewards. Managers, therefore analyse and interpret the needs of their employees, so that reward can be individually designed to satisfy these needs.

(i) for Employees

(a) Employees are paid according to requirement of their jobs i.e. highly skilled jobs are paid more compensation than low skilled jobs.

(b) The chances of favoritism are greatly minimised.

(c) Employee's moral and motivation are increased because a wage programme can be explained and is based upon facts.

(ii) To Employers:

(a) They can systematically plan for and control their labour cost.

(b) A wage and salary administration reduces the likelihood of friction and grievances over wage inequalities.

(c) It improve public image of the company as a progressive employer and to comply with legal requirement relating to wags & salaries.

(d) It establishes job sequences and lines of promotion wherever applicable.

Factors affecting compensation

The factors affecting compensation are as follows:

(i) ***Demand and Supply of Labour:*** Demand for and supply of labour shall have great impact on the determination of wage rates. If there is a shortage of labour, the wage demanded by workers shall be high. If labour is available in plenty in the market, workers shall be easily willing to work at low rates of wages. It is specially in case of unskilled and semi-skilled labour.

(ii) ***Firm's availability to pay:*** One another important factor in the organisational capacity to pay for services of the employee. In short run its influence may be negligible however in the long run it is quite influential factor. Ability to pay may be determined on the basis of its profitability, various expenditure, trends in prices of its products, total cost of employees (i.e. salary and wages, allowances, cost of fringe benefits) etc. Multinational Corporation pays relatively higher salaries due to their greater paying capacity.

(iii) ***Prevailing wage rate:*** Prevailing wage rate i.e. wages paid in comparable firms in the industry is another important factor in determining salary levels. This is necessary to retain and attract qualified workers.

(iv) ***Labour Union:*** Pressure of labour union through collective bargaining, strikes and other methods can also influence the wage structure. Wage rates are higher in well organised industries having well organised union as compared to the industry where union is not so strong.

(v) ***Cost of living:*** Due to inflation, the real wages decline which affects the purchasing power. So the workers expect that their purchasing power should be maintained at least at the same level, by adjusting their wages to changes in cost of living. Therefore Dearness Allowance should be given to workers according to changes in the consumer price index in order to equalise the burden put by rising prices. Labour contracts also contain a special clause to provide for automatic increase in the pay level.

(vi) ***Government Regulation:*** Government has enacted laws to protect the interest of the workers & these laws play an important role in deciding the compensation. No organisation can violate laws relating to minimum wages dearness allowance, and other allowance and equal pay for equal work.

(vii) ***Job requirement:*** A Compensation level is dependent on the job requirement. Difficulty level, physical & mental efforts in a particular job influence the compensation. In such a case, the relative worth of a job can be estimated through job evaluation.

(viii) ***Productivity:*** Productivity has been an important factor in determining compensation because productivity increase is usually supposed to be a result of employee satisfaction through lucrative wages.

(ix) ***Other factors:*** There are other factors which can influence the compensation level it may include experience, educational qualification, stability of employment, promotion possibilities, geographical region, occupation etc.

Essentials of a Sound Wage Salary Structure

For making an effective system for wage and salary administration the following requirements have to be fulfilled:

1. ***Internal Equity:*** It means the proper relationship between the wages paid for different jobs within the enterprise. If salary for office assistant is more than the salary of assistant manager then it is called as internal equity. Fair pay can be established with different job in the company. Job evaluation helps to determine relative worth of a job. It also minimises wage differentials in the basis of sex, religion, caste etc. So a relationship between wages paid for different job is important for good personal relationship.
2. ***External Competitiveness:*** Wages salary in the organisation should be in line with the wages & salaries for comparable jobs in the organisation. If it is not so it will be difficult to attract qualified & competent personal. For knowing the prevailing wage rate of similar organisation survey should be conducted. The organisation should decide his wage structure after looking into external competitiveness as well as internal equity.
3. ***Productivity linkage:*** Some part of the salary should be linked with the productivity. If workers are required to increase productivity they in turn expect to have some share in the profit earned through increase in productivity.
4. ***Built in Incentive:*** To motivate the employees to perform better built in incentive should be incorporated in the salary plan. Part of the salary of the worker should be linked with individual or group performance. However performance appraisal system should be adopted effectively to measure employees performance.
5. ***Annual Increment:*** Compensation itself is a good motivator if employees have an opportunity to get good annual pay increase according to merit. But annual increment should be partly be linked to seniority or years of service. Because seniority & experience automatically sharpened his skills & his efficiency tends to increase.

6. ***Maintaining Real Wages:*** In order to protect the real wages of labour, at least a part of the increase in the cost of living (consumer index) should be neutralised by giving them some extra increase in pay. It can be done through 'Dearness Allowance' (DA).

Principles of wage & Salary Administration

Method of Wage payment

Basically there are two methods wage payment. One is time wage system and another is the piece system. Other methods are combination and modification of these two systems.

Time Wage System

Under this system, the worker is paid for the amount of time spent on the job. This is the oldest and most common system and the wages are based on a certain period of time during the course of work. The period of time may be an hour, a day, a week, a fortnight or a month and the wage rate will depend upon the period of time. It must be remembered that wages are paid after the time fixed for work is completed irrespective of output or completion of work. Under this method wages can be determined by the following formula:

Wages = Number of hours worked x Rate per Hour

For the following reasons, Time wage system is preferred:

1. This method gives the worker a feeling of security as he knows in advance what will be his total remuneration at the end of the period. This will give him an assurance and he can plan his own expenditure accordingly. For the employer, it gives an adequate idea of his wage burden and he can make adequate provision fc. its payment. Thus, the absence of uncertainty benefits ability.
2. Another advantage of this system is its simplicity. It is very simple to calculate the amount earned and to measure the time spent on the job.
3. All the workers doing a particular job get the same amount of wages and thus a sense of equality prevails. There arise no cause for jealousy as all the workers are rate at the same level. Such sense of equality among the workers makes for the smooth working of the organisation.
4. Where the quality of products is more important than quantity or the materials worked upon are very costly, times wage prove cheaper than price rates in their ultimate results.
5. Another great advantage of the system is that it can be adopted in any type of work. Even if a worker does a variety of jobs or does repetitive work, it will not be difficult to fix his wages on the day rate basis.
6. Time wages become the only equitable form of wage payment where labour productivity can not be measured because of non standardised character of production.
7. When high quality of a product is to be insisted upon the time wage system should be used for the reasons that it will help in achieving the target of quality of the product.
8. Labour unions always prefer time wages since this form of payment does not make any discrimination in wage matters between workers and as a result, it increases the strength of labour union.

The time wage system suffers from the following disadvantages.

(i) This method does not provide any incentive for better performance as rewards are not proportionate to effort.

(ii) Calculating labour cost per unit is difficult as the total wage bill does not change with the volume of production.

(iii) More amounts may be paid for lesser amount of work so no control over cost.

(iv) Productivity of labour becomes low unless close supervision is used.

(v) Finding merit of different employees and promotion may have to be made on the basis of seniority.

Time wage system is suitable under following conditions

(i) Where units of output is not measurable.

(ii) When quality of work is important.

(iii) When supervision is good.

(iv) Where work is of a highly varied nature and standard of performance cannot be established.

(v) When workers are new and learning the job.

(vi) When delays in work are frequent and beyond the control of employees etc.

Piece Wage System

Under this system wages are calculated on the basis of work done or number of unit produced irrespective of time taken. The rate of wages is paid per piece which is determined in advance. Greater the number of units produced higher is the remuneration. Workers are paid in direct proportion to his output. It is also called payment by results.

Wages = Number of units produced x Rate per unit

Advantages Piece wage System

1. It provides an incentive to increase productivity because workers who work hard and produce more get more wages.
2. This system ensures fairness by direct correlation between wages and productivity.
3. Efficient workers are provided good opportunity to utilise their talent and increase their earnings.
4. Distinguishing between efficient and inefficient worker is very easy.
5. Cost of Labour per unit of output can be easily calculated.
6. Increase in productivity results in higher output and lower cost of production.
7. Cost of supervision is low because employee himself wants to produce more.

Disadvantages of Piece wage system

1. It is very difficult to fix piece wage rates. Generally employer reduces the wage rate when they feel that workers will produce large quantity.
2. The establishment of piece rate become a source of grievance to the workers without times & motion study and past experience.

3. The workers will sacrifice quality for the sake of quantity and the appointment of inspector to certify the quality will create conflicts between the workers & management.
4. The workers will increase the speed of work and this naturally leads to speeding up machinery and waste of materials, fuel and power. Because of excessive speed in working machines may cause breakdowns, speed in working machines may cause breakdowns, accidents and frequent replacements resulting in loss to the concern.
5. In order to maximise their earning workers work at an excessive speed. This may affect their health.
6. The keeping of individual production records and the making of pay roll involve time and cost.
7. Trade unions generally work against the piece wage system. The method may lead to industrial disputes. Fixation of piece rates may create controversy.

Piece wage system is suitable under the following conditions:

1. When work done can be measured accurately.
2. When quantity of work done is more important than quality.
3. When the flow of work is regular and interruptions are minimum i.e. repetitive jobs.
4. When the job involves more physical work than mental work.

Comparison between Time wage & Piece Wage Systems

Basis of Comparison	Time Wage System	Piece Wage System
1. Basis of Remuneration	Time spent on job produced.	Quantity of units
2. Nature of Payment	Money paid to worker is guaranteed	No guarantee for minimum payment. Worker can earn more if produces more.
3. Quality of work	Highly maintained	Quality may suffer.
4. Supervision	Close supervision is required so that wastage of time can be minimised	No close supervision is required
5. Cost of Maintenance	Because of proper use of machines & equipment maintenance is low	Maintenance cost is high as workers are more concerned with their production than with the life of machines and equipment
6. Wastage	High chances for wastage of time	High chances for wastage of raw material, power & equipments.
7. Impact on Health of worker	Work is not done in hazards way so health of worker is favourable	Due to speedy work, workers health may be affected.

8. Labour cost per unit	Calculation of labour cost per unit is difficult	Calculation of labour cost per unit is easily computable.
9. Sense of security	Because of assured wages	Wages are directly workers feel secured correlated with production which may fluctuate & it leads to sense of insecurity.
10. Motivation	Efficient workers are not motivated	Efficient workers feel motivated to produce more for better salary.

Balance or debt system of wage payment

This method of wage payment is in fact a combination of time wage & piece wage system. Under this system a minimum weekly wage is guaranteed for a full week's work, with an alternative piece rate which is determined by the rate fixed on the assumption that the worker would put in enough effort to earn his minimum wage. If the wages calculated on piece rate basis are in excess of those based on the time rate, then the worker earns the excess. On the other hand if the piece wage rate are less than the time-rate earnings, then the worker would still get weekly wage but on the condition that the deficit would be carried forward as debt to be recovered in future.

Suppose the time rate is Rs. 1,000 per week and the piece rate is Rs. 5 per unit. The wages of a worker who produces 250, 150 and 200 units in three weeks will be calculated as follows.

Balance Method

Week	Time wage	Piece wage	Credit	Debit	Balance
1	1000	250 × 5 = 1250	250	Nil	250
2	1000	150 × 5 = 750	—	250	Nil
3	1000	200 × 5 = 1000	Nil	Nil	Nil

It creates a sense of security among workers, and it also gives the employee an opportunity to increase his earning beyond the guaranteed 'time wages'. This system is suitable where flow of work is minimum such as dock workers.

The process of wage Determination

It consists of the following steps.

1. ***Job Analysis:*** First of all analysis of job is done. With job analysis job description & job specification and job standard are laid down.
2. ***Job Evaluation:*** A relative value of every job is determined through job education. The relative job value is then converted into money terms so as to fix wage for the job value is then converted into money so as to fix wage for the job.
3. ***Wage Survey:*** Job evaluation ensures internal equity where wage survey ensures 'external equity'. Wage surveys are done to find out wages/salary levels prevailing in the region or industry for similar jobs.

4. ***Developing wage structure:*** Wage structures are prepared on the basis of foregoing steps. But before developing wage structure the following points need to be considered.
   (a) Payment equal to, more or less than prevailing wage rates.
   (b) Jobs to be placed in each pay grade.
   (c) Provision for merit increases.
   (d) More important jobs are paid more
   (e) Differentials between pay plane.

Wage Administration Rules

Rules are required to determine the degree to which advance will be based, pay increments, rules of promotion and the way control over wage/salary costs can be maintained. Once the rules are framed these should be communicated to the employees.

Wage Components in India

In India, a pay structure generally consists of the following pay components.

1. Basic wages/salary
2. Dearness allowance (D.A.)
3. Bonus
4. Incentives
5. Fringe benefits or perquisites

1. **Basic Wage**: There are three concepts of wages explained by the Fair Wages Committee appointed by the Government in 1948. These three concepts are Minimum Wage, Fair wage, living wage.

   (a) ***Minimum wage:*** It is that wage which is sufficient to satisfy at least the minimum needs of worker and his family. According to the Fair Wages Committee "A minimum wage must provide not merely for the substance of life but for the preservation of the efficiency of the worker. For this purpose, the minimum wage must also provide for some measure of education, medical requirements and amenities. Minimum wage has got to be paid to every worker irrespective of the capacity of the industry to pay. In India, the Minimum Wages Act 1948 empowers the Central and State Government to fix minimum rates of wages payable to workers.

   (b) ***Fair Wage:*** Fair wage is something more than the minimum wage. According to Fair Wages Committee, the lower limit of the fair wage is the minimum wage, whereas the upper limit of it, is set by the 'capacity of the industry to pay' Between the lower limit & upper limit fair wages are set which depends upon many factors such as prevailing wage rate, productivity of labour, employers capacity etc. It is a step toward the ideal of living wages.

   (c) ***Living Wage:*** Living wage is a wage which should offer a worker incentive to work and produce enough in quantity without sacrificing quality. So the payment of such a wage is justifiable by the industry. According to the Fair Wages Committee the living wage should enable the male earner to provide for himself and his family and merely the bare essentials of good, clothing and shelter but also a measure of frugal (not wasteful) comfort including education for children, protection against ill

health, requirements of essential social needs and measure of insurance against the more important misfortunes including old age.

Actual wage may be fixed somewhere between the lowest limit set by the minimum wage & highest limit set by the living wage, depending upon the bargaining power of the labour, capacity of the industry to pay etc.

(2) **Dearness Allowance (D.A.):** This allowance is given to protect the real wages of workers during inflation. It is also called cost of living allowance. It is an integral part of wage system in India. Dearness allowance may be calculated by using any of the following method:

(a) ***Flat rate:*** In this method, DA is paid at a flat rate to all workers irrespective of their wage levels and regardless of changes in the consumer price index.

(b) ***Graduated Scale:*** Here D.A. increases with each slab of salary. Therefore, D.A. is paid as a percentage of basic salary.

(c) ***D.A. Linked to Index and Pay Scale:*** Under this method, a higher rate of D.A. is paid for lower pay scales and a lower rate for higher pay scales.

(d) ***Index based D.A.:*** In this method a flat rate per point of index is prescribed so that all workers get the same amount of D.A. irrespective of their pay scale.

Bonus:

Bonus was regarded as an ex gratia to workers to provide a stimulus for extra effort by them in the production process. However after the enactment of Payment of Bonus Act 1965 bonus became legal liability for the employer. According to the Bonus Commission (1961) bonus is "Sharing by the worker in the prosperity of the concern in which they are employed. It helps to bridge the gap between actual wages and need based wage".

The payment of Bonus Act applies to every factory and every other establishment in which 20 more persons are employed on during an accounting year.

Every employee who is employed on a salary not exceeding Rs. 2500 per month is entitled to bonus provided he has worked in the establishment for at least 30 working days in a year.

According to the provisions of Bonus Act, Bonus is provided on allocable surplus & employer can pay maximum of 20% of salary or wages a bonus. But where there is no allocable surplus then only the minimum bonus is payable, which shall be 8.33% of the salary of on employee or Rs. 100 per year whichever is higher. Even if the employer Suffer losses during the accounting year, he is bond to pay minimum bonus. Bonus is paid in cash within 8 months from the close of the accounting year.

Incentives & Fringe Benefits: It is given in detail in the next chapter.

Executive Compensation:

The pay package of an executive consists of several components such as:

1. Salary
2. Bonus based on company's profit or commission as a percentage of profit or sales.
3. Stock options involving issue of the company's share at a special rate which is lower than market value.
5. Incentive, Fringe benefits or perquisites such as free furnished house, interest free loan, free car, free telephone, leave travel concession, discount coupons entertainment allowance etc.

SELF PREPARATORY QUESTIONS

Q.1 Discuss the concept of compensation. What are the objectives of wage & salary administration?

Q.2 What do you understand by wage & salary administration? Discuss the essential of a sound wage and salary structure.

Q.3 Explain base compensation and supplementary compensation. What is the difference between the two?

Q.4 "The wages in an industry are determined by wage laws and industry capacity to pay." In the light of this statement, explain the factors affecting wages.

Q.5 Distinguish between time wage system and piece wage system. Under What circumstances each system can be adopted usefully?

Q.6 Discuss the merits and limitations of time wage system. How does it different from piece wage system.

Q.7 Differentiate between minimum wage, fair wage and living wage.

Q.8 Discuss the principles of an appropriate compensation policy.

Q.9 Write short notes on:

i) Payment of Wages Act.
ii) Minimum Wages Act.
iii) Executive compensation.
iv) Payment of Bonus Act.

Q.10 Define the process of wage determination.

CHAPTER 4: JOB EVALUATION

— Manu Umesh

After reading this chapter students will be able to understand the concept of:

- ***Job Evaluation, It's Objectives, Advantages & Limitations***
- ***Essentials for the success of Job Evaluation Programme***
- ***Methods of Job Evaluation***

Introduction

For developing sound or effective wage and salary structure is necessary that pay is related to the nature and worth of the job. The relative worth of a job can be judged with the help of job evaluation. Job evaluation seeks to rank all the jobs in the organisation and place them in a hierarchy that will reflect the relative worth of each. Job evaluation is ranking of jobs, not people.

According to International Labour Organisation (ILO) "Job evaluation is an attempt to determine and compare the demands which the normal performance of particular job makes on normal workers without taking into account the individual abilities or performance of the workers concerned.

According to British Institute of Management Job evaluation is the process of analysing and assessing the contents of jobs in order to place them in an acceptable rank order, which can then be used as a basis for a remuneration system. It is a technique, designed to assist in development of new pay structures, by defining relativities between jobs on a consistent & systematic basis.

According to Dale Yoder job evaluation is a practice which seeks to provide a degree of objectivity in measuring the comparative value of jobs within an organisation and among similar organisation".

Job evaluation is different from job analysis. Job analysis is the process of collecting information relating to a job in terms of duties, working conditions, supervision etc. Job analysis is a procedure of which pertinent information is obtained about a job i.e. it is a detailed and systematic study of information relating to the operations and responsibilities of specific jobs. Job evaluation on the other hand uses information provided by job analysis to determine the worth of a job in relation to other jobs So that an equitable and meaningful wage & salary system can be established. Job evaluation begins where job analysis end and it ends with performance appraisal. Job evaluation is also different from performance appraisal. Performance appraisal is the process of assessing the worth of job holders on the other hand job evaluation involves assessment of the worth or value of jobs.

Objectives of Job Evaluation

1. To determine rational and consistent wage policy in the organisation.
2. To eliminate wage inequality on the basis of sex, cast, religion, region etc.
3. To determine equitable wage differentials between different jobs in the organisation.
4. To provide a framework for periodic review and revision of wage rates.
5. To establish of sound wage policy for incentive and bonus schemes.
6. To Minimise labour turnover in the organisation & increase employee morale.

7. Maintaining good industrial relations. It serve as a basis for negotiation with the union.
8. To enable management to gauge and control the payroll cost.

Advantages of Job Evaluation

Job evaluation provides the following benefits

1. It helps in developing an equitable, rational and consistent wage and salary structure.
2. It helps in maintaining harmonious relations between labour and management. It provides a yard stick by which workers complaints or claim can be judged.
3. This method may lead to greater uniformity in wage rates, thus simplifying wage administration.
4. The information collected in the process of job analysis and description may also be used for the improvement of selection, transfer and promotion procedure on the basis of comparative job requirement.
5. Job evaluation provides a rate for the job and not for the man. Many workers work together on the same, similar or interdependent jobs. An attempt should be made to precisely define the jobs and fix wages accordingly. This is possible only by job evaluation.
6. It helps in better utilisation of work force. It reveals jobs which require less or more skilled workers than those already performing these jobs.
7. This method facilitates fitting the new appointees into the present wage structure.
8. It assists in retaining the workers by keeping down the rate of labour turn over because workers wages are determined systematically by the process of job evaluation.

Limitations of Job Evaluation

1. Job evaluation is not fully objective and scientific. There is no standard list of factors to be considered for job evaluation. Some jobs can not be measured.
2. Rapid changes in technology and in the supply and demand of particular skills have given rise to problems of adjustment.
3. A job evaluation frequently favours group different from those which are favoured by the market.
4. It is generally felt that job of equal worth will be equally attractive, but it is not true in real life. If a job offers no prospects of rise will be less preferred by a job with bright prospects.
5. When job evaluation is applied for the first time in any organisation, it creates doubts and fear in the minds of those whose jobs are being evaluated.
6. Job evaluation takes a long time to install, require specialised technical personnel and may be costly.
7. Job evaluation is not rightly suited to determine the relative worth of managerial jobs, because these jobs involve considerable degree of planning, decision making and supervision of others & these cannot be measured in quantitative terms.
8. Job evaluation usually relies too much on internal standards and evaluation of fixing wage rates without paying due importance to external standards and evaluation.

Essentials for the success of Job Evaluation Programme

1. For the success of job evaluation the top management support is necessary.
2. Operating manager must be trained in fixing and revising the wages on the basis of job evaluation. Full cooperation for the programme is necessary from operating managers.
3. Clear and accurate job description and specification must be available to provide data concerning the factors to be measured.
4. Job description should be prepared clearly and adequately. Before initiating evaluation process, jobs should be standardised with a view to provide a smooth for their inter comparison.
5. The techniques used should be simple to understand for employees.
6. For evaluating various jobs, the knowledge, judgment and experience of personnel department, live managers and outside experts should be pooled together so as to make evaluation process more effective.
7. The acceptance and support of the trade union should be taken.

Methods of Job Evaluation

The general rule is that more difficult the job, the more is its worth or more scarce the labour supply or higher the demand for labour more a job is worth. More skill, education and responsibility required in a job, more is its worth. These rules are general in nature so they are of little use in translating specific jobs into rates of monetary compensation. so several systems of job evaluation have been developed. These systems can be divided into two categories-

1. Non-quantitative methods
   (a) Raking or Job comparison.
   (b) Grading or job classification.
2. Quantitative methods
   (a) Point Rating
   (b) Factor comparison

Non-quantitative Methods

(a) Ranking or Job Comparison

This method is based on a procedure whereby jobs of an organisation are compared with each other on the basis of its contribution to the organisation. A committee which includes both management and employees representative is prepared who arrange the jobs in a simple rank order from highest to the lowest in order of their importance judged by duties, responsibilities, skills etc. In other words, an overall judgment is made of the relative worth of each job and the job is ranked accordingly. The ranking is done in each department preferably by people who are unbiased as far as possible on the basis of job description. Because of the difficulties in ranking a large number of jobs at one time, the paired comparison method can be used. In this technique each job is paired with every other job in the series.

Advantages

(i) It is simplest and oldest method.

(ii) It is economical and less time consuming

(iii) It involves less paper work.

Disadvantages

(i) There is no yard stick for measuring pay which is to be paid for each job.

(ii) Ranking of the job is based on the opinion of few executives and their opinions are some times biased.

(iii) The rater is required to be thoroughly familiar with all the jobs to be rated.

(b) Grading of Job Classification Method:

Since different job have different levels of duties, responsibility, skill required for performing the jobs etc. Job classes or grades are established. A job grade is group of different jobs of similar difficulty or requiring knowledge and skills to perform. Each job is defined in form of written description. Jobs are clubbed together on the basis of their nature, like shop floor jobs, clerical jobs, and managerial jobs. These are called grades. A series of job grades is developed and a different wage rate is fixed for each job grade.

Description of Job Grades

S.No.	Grade	Description
1.	Unskilled	Job work involves manual work. No formal education is essential.
2.	Skilled	Job is clerical in nature work is simple with little variation. Requiring some training or skill. It requires minimum responsibility.
3.	Supervisory	Work is moderately complex, with some variation done under general supervision. Job requires ability to apply established procedure and to guide others.
4.	Executive	Work is complex and varied in nature Advanced knowledge & skills are required. Job involves decision making and administrative work.
5.	Policy	Job in this grade involves policy making and control. Considerable work experience at policy levels is required.

Advantages

1. The method is more analytical and objective method.
2. Method is flexible as there is no upper limit on the rating of a factor.
3. It is more reliable and valid as each job is compared with all other jobs in terms of key factors.

Disadvantages

1. This method is difficult to understand.
2. It is time consuming and expensive method.
3. The use of present wage rates for key jobs may lead to error in the beginning. As the contents and value of key jobs change over time, error may arise in future.

Quantitative Methods

(a) Point Rating Method: It is widely used method. This system evaluates all compensable factors of each job. Jobs are divided into component factors. Points or weights are assigned to each factor depending upon the degree of its importance in a particular job. These factors are usually responsibility, knowledge, skills, mental effort, physical effort, working conditions etc. These factors are given weights and total points for a job indicate its relative worth or value.

The following procedure is followed in this method:

1. Determine the job to be evaluated. Each job involves different skill, working conditions, efforts etc. So few benchmark are selected from each job.
2. Define a list of factors which are common to all the jobs that are to be covered in the organisation.
3. Determine the number of degrees to be allocated to each factor and prepare a suitable definition of each.
4. Each factor is assigned a percentage weight to indicate its relative importance and also value to a particular job.
5. The percentage weightage multiplied with the points allotted to each job are summed up.
6. On the basis of total points obtained by each job, the jobs are ranked.
7. Design the wage structure in term of rupees of a point is ascertained keeping in view the prevailing wage rate.
8. The wage structure designed must be reconfirmed or adjust. If some one is getting less than what they should get as per new wage structure their salary should rise. But those who are getting more should not have their wages reduced.

(b) Factor Comparison Method: Under this system, a few key jobs are selected and compared in terms of common factors. The compensable components are those factors or criteria common to all the jobs being evaluated such as responsibility, skill, mental effort, physical effort and working conditions. The procedure involves is as follows.

(i) Determining the critical or compensable factor.
(ii) Determining key jobs against which other jobs are being evaluated.
(iii) Job descriptions are carefully analysed and the key jobs are rated in terms of the selected factors.
(iv) A fair and equitable wage rate is determined for each key job.
(v) The wage rate for a job is allocated among the identified and ranked factors.

Evaluating remaining jobs with the key job in terms of each factor.

Advantages:

1. This method is more analytical and objective method.
2. The method is flexible as there is no limit on the rating of a factor.
3. It is more reliable and valid as each job is compared with all other jobs in terms of key factors.
4. Honey values are assigned in a fair and objective manner depending on factor rankings.

Disadvantages

1. This system is difficult to understand and operate.
2. It is a time consuming and expensive method.
3. The use of present wage rates for key jobs may lead error overtime because the contents and value of key jobs keep on changing overtime.

SELF PREPARATORY QUESTIONS

Q.1 What is Job Evaluation? How does it Different from Job analysis?

Q.2 Define Job Evaluation. Discuss its advantages and limitation.

Q.3 Discuss the utility of Job Evaluation. State the steps involved in job evaluation.

Q.4 "Job Evaluation determines the worth of a job and not of job holder" comment.

Q.5 Briefly discuss the various methods of job evaluation.

Q.6 Distinguish between factor comparison method and point method of job evaluation. Highlight the relative merits and demerits of the two methods.

Q.7 How Job Evaluation programme can be made? How it can be made more effective?

CHAPTER 5: INCENTIVE PLANS

— Manu Umesh

After reading this chapter students will be able to understand the concept of:

- ***Incentive Plans, It's Advantages, Limitations***
- ***Essential for a sound Incentive Plan***
- ***Types of Wage Incentive Plans***
- ***Features & Advantages of Employee Stock Option Plan***
- ***Profit Sharing***
- ***Fringe Benefits, Types & Objectives of Fringe Benefits***

Introduction

Incentive system link 'Compensation' and 'performance' by rewarding employees for performance. It is a monetary inducements offered to employees to perform beyond the acceptance standard. These are extra financial motivation designed to stimulate human effort by recording the worker over and above the time rated remuneration, for improvements in the present or targeted results. According to the National Commission on Labour, "Wage Incentives are extra financial motivation. They are designed to stimulate human effort by rewarding the person, over and above the time rated remuneration for improvement in the present or targeted results." The basic objectives of Incentive plans are:

1. To increase in productivity
2. To reduce the labour cost
3. To rise in worker's earning
4. To increase the employee motivation
5. To create and maintain harmonious labour management relations.
6. To encourage employees to achieve specific organisation goals.

Advantages of Incentive Plans

It is also called 'payment by result'. It is a method of sharing gains in productivity with workers by rewarding them financially for their increased productivity. The advantages of incentive plans are as under:

1. Incentive plan increase worker's expectancy that performance will be followed by reward. More expectancy increases motivation to work hard and to work more.
2. Before introducing an incentive plan a work study is done which makes improvement in work flow and work method and man-machine relationship etc.
3. Incentive plan reduces compensation cost through increase in productivity and quality.
4. Supervision costs are reduced as workers themselves are motivated to work hard and improve their performance.

5. Incentive plans improve employee commitment and involvement. They bring to the notice of management the problems that create hindrances in improving productivity.
6. It reduces the absenteeism, accidents. It improve discipline and industrial relations. This is because workers have an interest in increasing productivity.
7. It creates a spirit of mutual cooperation and team work is created among workers. As their activities are independent, any obstruction in the part of worker can affect output and rewards.

Limitations of Incentive Plans

1. To maximise the output, the quality of the product will suffer.
2. In the absence of ceiling on incentive workers may overwork and thereby spoil their health.
3. Introduction and administration of incentive plans increase the cost and time of clerical work.
4. Unions often resist incentive systems because they fear that management will change the standard and employees will have to work harder for the same pay.
5. Incentive plans give rise to jealousy and conflict among workers when some workers earn more than others.
6. Whenever the production flow is disrupted due to the fault of management, workers insist on compensation.

Essential for a sound Incentive Plan

To be successful, a wage incentive plan must satisfy the following requirements.

1. ***Simplicity:*** The incentive plans should be simple to understand and easy to operate so that worker may calculate his own earnings. Complicated plans create suspicion and distrust among the mind of the workers.
2. ***Proper climate:*** A good incentive plan is that which is acceptable to the interested parties. Mutual trust and understanding between management and workers provides a proper setting for the introduction of an incentive scheme.
3. ***Workers participation:*** Incentive plan is basically for the benefit the employees so management must discuss the incentive plan with workers.
4. ***Guaranteed Minimum wage:*** A minimum wage should be guaranteed to every worker irrespective of his performance. This is necessary to ensure a sense of security and confidence among workers.
5. ***Scientific Standards:*** The standards of performance for payment of incentives should be established through scientific work study free from biasedness and favouritism.
6. ***Reasonable Standards:*** Standards of performance should not only be scientific, but they should also be reasonable. The standards should be of average difficulty neither too low nor too high.
7. ***Equitable:*** The plan should provide equal opportunity to all workers to earn incentive. Otherwise it will create dissatisfaction and jealousy among workers who have no opportunity to earn more.
8. ***Fair and just:*** The scheme should be fair and just to both the employer and employees.

It should not cost unwarranted burden on the employer nor should it deprive the worker of his die reward for an increase in output.

9. ***Flexible:*** Incentive plan should be flexible i.e. in case of any error in the incentive scheme it can be rectified. Incentive scheme should not be changed frequently.
10. ***Prompt payment:*** The time gap between actual performance and incentive payment should be as small as possible. It motivates the workers to work harder.
11. ***Grievance Handling Mechanism:*** There may be change of growing some grievance among workers in connection with incentive plan. So a quick fair redressal system should be made in the organisation.
12. ***Scientific appraisal system:*** To prevent any bias or favouritism a scientific appraisal system should be developed. The results of the appraisal should be made known to the worker.
13. ***Follow up:*** Management should carefully review periodically the system of incentive plan. They should observe whether the standards are being met or not. The reasons for any deficiency should be investigated and corrective steps should be taken for smooth functioning of incentive scheme.

Types of wage Incentive Plans

Wage incentive may be classified into two major categories (i) Individual incentive plans (ii) Group incentive plans.

Individual Incentive Plans

Those incentive schemes which are tied to the performance of individual employees are known as individual incentive plans. Individual incentives may be based on time & output. Under time based incentive plans, a standard time is determined for doing a job and if a worker completes the job in less than standard time, the incentive should be given to them. Under output based plan, a standard output is determined and workers producing more than the standard output are given bonus.

Individual Incentives

Time Based	**Output**
Based	1. Taylor Plan
1. Halsey Plan	2. Merrick Plan
2. Rowan Plan	3. Gantt Plan
3. Emerson Plan	
4. Bedeaux Plan	

Halsey Plan

This plan was developed by F.A. Halsey. Under this plan, standard time for doing each job or work is fixed. The worker is paid for the actual time taken by him to complete the work. In addition, he is given bonus for the time saved. According to Halsey Plan his total earning will be

Total Earning = T X R + (S – T) × R X 50%

Where T = Time Taken

R = Rate per hour

S = Standard time

for Example

Standard time = 40 hours

Time Taken = 30 hours

Hourly Rate = Rs. 12 per hour

Total Earning = Time Taken × Rate per hour + (Standard time – Time Taken) × Rate × 50%

= 30 × 12 + (40-30) × 12 × 50%

= 360 + 60 = Rs. 420/-

Advantages:

1. This system is simple to understand and easy to operate.
2. Benefit of time save is share by both the employer & worker.
3. It gives guarantee of minimum wage to every employee.
4. It encourages workers to be efficient because it provides increasing incentive to efficient worker.
5. Fixed overhead cost per unit is reduced with increase in production.

Disadvantages:

1. The quality of work suffers because workers do the job in hurry to save more time for bonus.
2. Workers do not secure full benefit of the time saved by them. They have to share 50% of benefit with employer.
3. Much clerical work is involved because records of time saved and bonus earned have to be kept for each worker.
4. Setting standard time for various job may be difficult.

Rowan Plan

Rowan plan is modification of Halsey Plan. It was developed by James Rowan. Under this minimum wage is guaranteed to them. They also get a bonus if the work is completed before the standard time. Under this plan bonus is that proportion of wages of actual time taken which the time save bears to the standard time allowed.

Bonus under this scheme is

$$\frac{Time\ Saved}{S\,tan\,dard\ Time} X\ Time\ Taken\ X\ Rate$$

$$\text{Total Earning} = T \times R + \frac{S-T}{S} \times T\ X\ R$$

Where T = Actual Time taken

R = Rate of wage per hour

S = Standard Time (Time allowed)

For Example

Standard Time = 40 hours

Time Taken = 30 hours

Hourly rate = Rs. 12 per hour

$$\text{Total Earning} = 30 \times 12 + \frac{40-30}{40} X\ 30\ X\ 12$$

$$= 360 + \frac{10}{40} x30\ x\ 12$$

= Rs. 450/-

Advantages :

1. It guarantees minimum wage to the worker
2. The quality of work does not suffer much. The efficient worker get bonus at a diminishing rate of they save more than 50% of the standard time.
3. Labour cost per unit is reduced because wage of the time save is shared by employer and the worker.

Disadvantage

1. The calculations are not simple and hence 'sometimes difficult to understand.
2. Efficient workers are discouraged to save more than half of the standard time.

Emerson's Plan

This plant was developed by Harrington Emerson. Under this plant standard time for the job is determined scientifically and a minimum time wage is guaranteed. Bonus is paid if the output exceed 2/3rd ($66\frac{2}{3}\%$) of the standard. Efficiency is measured by comparing the actual time taken with the standard time. Different rates are applicable at different levels of efficiency.

For Example:

A minimum wages is paid for production upto 66% of standard output or efficiency. When the workers production exceeds 66% of the standard output, he is paid bonus as per the following table

Efficiency Level	Bonus
upto 66 2/3%	Nil
Above 66 2/3% to 79%	10%
80% to 99%	20%
100% to 125%	45%

Merit:

1. It provides a sense of security to all workers.
2. It creates a healthy competition among workers.
3. Bonus is related to the level of efficiency. Wages rise with the increase in efficiency.

Demerits:

1. The workers whose level of performance is above 100% of the standard are not very much encouraged by the scheme.
2. Standards are made at generally at very high level so it is difficult to earn bonus.
3. A great clerical work is involved in calculating efficiency and bonus for each employee.

Bedeaux or points scheme

Under this plan every work or job is expressed in terms of standard minutes which are called Bedeaux point or B's. Each B representing one minute. Upto 100% performance i.e. upto standard B a worker is paid time wages without any premium for efficiency. If actual performance exceeds standard then wages for the time saved is paid among worker & foreman in the ratio of 3:1 i.e. 75% to worker & 25% to foreman.

Merit:

1. Minimum wages are guaranteed.
2. The foreman is motivated to increase productivity
3. Method is suitable where worker is expected to perform a number of different jobs.

Demerits:

1. Workers may resent sharing of bonus with foreman.
2. More clerical work is involved.
3. This method is complicated & workers are not able to understand it.

Tylor's Plan

F.W. Taylor suggested a differential piece rate plan. Two piece rates are laid down. The lower rate for those workers who are less efficient and fails to complete the standard task within the allotted time and higher rate for those who complete the task within or less than the alloted time. The objective is to provide sufficient bonus for efficient worker & penalise the inefficient workers with a lower piece rate.

For Example

Standard output is 20 units per day piece rate is Rs. 15 per unit and Rs. 10 per unit. Four workers A,B,C & D as 16 units, 20 units, 22 units & 19 units.

Total wages of A = 16 × 10 = 160
B = 20 × 15 = 300
C = 22 × 15 = 330
D = 19 × 10 = 190

Merits:

1. It provides sufficient incentive to efficient worker.
2. Workers are not forced to share their bonus with foreman or with employer.
3. It encourages workers to be efficient because there is no guarantee for minimum wages.

Demerits

1. It is rather harsh to workers who are just below the standard.
2. It does not guarantee of minimum wages payment to workers.
3. It treats workers as machine not as a human being.
4. Employer may fix high standards which workers may find difficult to achieve.

Merrick's Multiple Piece Rate Plan

This plan is similar to Taylor's differential piece rate except the fact that Merrick uses three grade piece rate rather than two offered by Taylor's plan.

Output Percentage Standard	Piece rate applicable
1. upto 83%	Ordinary piece rate
2. 83% to 100%	110% of ordinary piece rate
3. Over 100%	120% of ordinary piece rate

Merits:

1. This plan reduces the severity of Taylor's plan.
2. It is less harsh for the beginners or learners.
3. It is useful where the performance level is to be increased to 100 percent.

Demerits

1. Minimum wages is not guaranteed to worker.
2. All workers producing 1% to 82% of standard output are considered as sub standard workers paid the same piece rate.

Gantt's Task and Bonus Plan

Under this system standard time for every job is fixed through time & motion study. Minimum wage is guaranteed to all workers. If a worker take more than the standard time to complete the task (i.e. efficiency is below 100%) he is given wages for the actual time taken by him at the specified rate & if he is able to achieve the standard or exceeds the standard then he gets wages for standard exceeds the standard then he gets wages for standard time & a bonus 20% on the wages earned.

Merit :

1. The plan is not so harsh as the Taylor's system.
2. It ensures guaranteed time wages to the workers.
3. Wages increases progressively with increase in efficiency.

Demerits:

1. It divides the workers into ports – one who gets bonus & one who does not & hence create competition.
2. The guaranteed time wages may not encourage efficiency if workers are satisfied with time wages.

Group Incentive Plan

Where a group of worker is collectively responsible for the job & where the output of individuals cannot be measured separately, group bonus schemes are used. In such a case, the group as a whole gets a reward for the performance. The basis for bonus may be savings in time spent, saving in cost or producing more than standards. The bonus for a group is apportioned to individual workers on one of the following basis:

1. Equally by all workers of group.
2. Pro-rata on time rate basis
3. Predetermined percentage basis.

Merits

1. Team spirit develops among the workers because they know that their records are based on group's performance.
2. The experienced workers are motivated to help and trained inexperienced and new worker.
3. It involves less clerical work less supervisory work & reduces overall costs.

Demerits

1. An efficient worker does not get his due reward because bonus is shared by inefficient workers as well.
2. Hard working employee generally reduces his effort to that of the majority of the employees in the group.

Employee Stock Option Plan

Employee stock option plan is basically for the executives. Under Employee Stock Option Plan, the eligible executives are allotted company's shares below the market price. These shares are also known as Sweat Equity. The employees holding Sweat Equity gains if the performance of the company over the year is good & market value of share goes up. The companies which offer such a plan are able to attract talented executives and also hold them over a long period.

Features of Employee Stock Option Plan

1. It is voluntary in nature.
2. It offers an option to purchase a certain amount of stock or shares in the future at a stated price which is generally lower than the market price.
3. It helps to procure & hold the talented professional employees.
4. It makes the employee a part of ownership.

Advantages of Employee Stock Option Plan

1. It creates a trust & co-operation between employees & employer.
2. Worker's income is supplemented by dividend they receive from the shares hold under Employee Stock Option Plan.
3. Management also gains in the form of lesser supervision, better cooperation, reduced labour turnover & better understanding on the part of workers.
4. Employees feel motivated as they feel that they are not merely servant but master also.

Profit Sharing

Profit sharing is also financial incentive which gains much popularity these days. In addition to the wages, workers also get a share fixed in advance in the profit of the firm. According to International labour Organisation (ILO) profit sharing is a method of industrial remuneration under which an employer undertakes to the enterprise in addition to their regular wages". This enables the worker to work with greater interest and enthusiasm in the organisation because there is a relation between their work and higher production which leads to higher profit for the firm and in turn greater share in additional remuneration.

Merits

1. It creates a sense of responsibility among employees.
2. It helps to productivity and to reduce cost.
3. Profit sharing attracts and retains qualified workers, labour turnover and absenteeism can be reduced.
4. Profit sharing helps to increase earnings and standard of living of workers.

Demerits

1. It does not ensure a regular income to employees.
2. All workers are given same share in the profit and no distinction is made between efficient worker & inefficient worker.
3. In the period of depression, when the firm does not earn profit they may receive no such share are thereby gets frustrated.
4. It is a time consuming and difficult to install & operate a successful profit sharing plans.

Fringe Benefits

International labour organisation (ILO) has described fringe benefit as follows: wages are often augmented by special cash benefits, by the provisions of medical and other services or by payment in kind that form part of the wage for expenditure on the goods & services. In addition, workers commonly receive such benefits as holiday with pay, low cost meals, low rent housing etc. Such benefits are referred as fringe benefits. Benefits that have no relation to employment or wages should not be regarded as fringe benefits even though they may constitute a significant part of workers total income.

Types of Fringe Benefits

1. Payment without work e.g. sick leave, casual leaves etc.
2. Health & safety benefits.

3. Retirement benefits like provident fund, gratuity pension etc.
4. Subsidised housing, transport, meal, etc.
5. Medical care for employee & his family.
6. Interest free loan etc.

Objectives of Fringe Benefits

1. To recruit and retain the best employees.
2. To improve motivation & morale of workers by satisfying some of his needs.
3. To ensure health, safety & welfare of employees.
4. To develop a sense of belonging & loyalty among workers.
5. To improve work environment & industrial relations.

SELF PREPARATORY QUESTIONS

Q.1 What do you mean by wage incentive plans? What are the advantages & disadvantages of wage incentive schemes.

Q.2 Explain various individual incentive plans. What are the advantages and problems associated with wage incentives?

Q.3 Explain the essentials of a good wage incentive plan.

Q.4 Explain the group incentive schemes.

Q.5 What do you understand by profit sharing? Explain advantages and limitations of profit sharing.

Q.6 Discuss the importance of fringe benefits and services as a component of wages and salaries. However they justified by the government employer and employees?

Q.7 What is meant by Employees Stock Option Plan (ESOP)? What are its features and merits?

CHAPTER 6: EMPLOYEE HEALTH & SAFETY

— *Manu Umesh*

After reading this chapter students will be able to understand the concept of:

- ***Employee Health & Safety, Significance of Industrial Health***
- ***Working Conditions Affecting Health***
- ***Employee Safety, Loss for Employer & Loss for Employee***
- ***Measurement of Accidents***
- ***Causes of Industrial Accident***
- ***Measurers to ensure Industrial Safety***
- ***Provisions Concerning Industrial Safety***

Introduction

The health service and medical care are the integral parts of labour welfare programmes in all countries. This does not only protect against the sickness but provides healthy and stable labour force for the economic development. Health is a positive concept and it is more concerned with the absence of sickness. The World Health Organisation has defined the health as follows. "A State of Complete Physical, mental and Social wellbeing and not merely the abitual of disease and infinity". Health is a wider term and it includes economic, social and emotional aspects of human lives. It may not increase the productivity immediately; it reduces the rate of absenteeism definitely which is due to the sickness. The joint committee on occupational health of International Labour Organization and World Health Organization has explained the occupational health as follows:

1. To enhance the physical, mental and social welfare of all the employees working in the business organisation.
2. Protection against the ill effects on health due to working conditions.
3. Protection against occupational employment risks adversely affecting the health.
4. The appointment of the workers on such posts which are in accordance with their physical and psychological aspects.

Significance of Industrial Health

Employee spends a great time in industrial settings. Unless the working conditions are not proper, workers cannot concentrate on work. If the health of the employee is not proper, the productivity of the employee will be low and ill health will leads to absenteeism and labour turnover. Thus industrial health is essential for the following reasons:-

(i) To maintain and improve productivity and quality of work.
(ii) To minimise absenteeism and labour turnover.
(iii) To reduce industrial unrest, indiscipline and accidents.
(iv) To reduce spoilage and cost of production.
(v) To improve motivation and morale of employees.
(vi) To preserve the physical and mental health of employees.

Working Conditions Affecting Health

The main physical factor influencing workers healths are as follows:

1. ***Cleanliness:*** Cleanliness is one of the basic factors for good health. Dirt should be removed daily from the office/industrial premises. Proper spittoons must be provided at convenient places. Proper arrangement should be made for proper disposal of industrial waste. Drinking water, toilets, canteen should be provided to the workers & it should be clean. Rats, pets and insects should be destroyed as they are worst carries of diseases.
2. ***Lighting:*** Proper lighting system affects both quantity and quality of work. It facilitates higher production. Poor lighting can causes, eye strain, mental fatigue, accidents and spoilage of materials. A good lighting system should provide:
   (a) The right degree of intensity of light depending upon the nature of work.
   (b) Well defused lighting system which should be properly spread all over the working area.
   (c) Protection from glory.
3. ***Temperature and ventilation:*** Temperature and humidity level must be tolerable & it should not be too high or too low. Coolers/Air Conditioners & heaters can be used to make the working area at a tolerable temperature. Steps should be taken to insure the fresh air to the workers, as stale air causes headache to workers.
4. ***Freedom from Noise:*** Noise may be defined as unwanted sound. It disturbs the workers and because of noise worker cannot concentrate on his work efficiently. Source of Noise can be inside the work place or outside the work place. Internal noise occurs due to running of machines, movement of workers, telephone calls. Internal noise can be controlled easily e.g. use of sound absorbent materials in walls & ceilings, carpets on the floors to reduce noise caused by movement of the employees. Machines producing noise may be installed at a separate place. External noise is caused by movement of vehicles outside the workplace. Sound proof walls, double doors and glass panels may be used to reduce the external noise.
5. ***Dust Control:*** In some industries the ratio of dust is very high. For example in case of cotton and jute industries. Dust affects the health of the employee and life of machine also. So it is necessary to keep the work place free from dust. Regular cleaning of doors, walls ceiling and windows is necessary. Electrical installations should be regularly cleaned to maintain the level of lighting.
6. ***Working Space and Seating Arrangement:*** For free movement of workers, material and equipment it is necessary that the space should be adequate. There should also be a proper seating arrangement. If seating arrangement is not proper it leads to discomfort and fatigue.

Protection from Health Hazards

Protecting employee's health against occupational health hazards, two types of measures can be taken.

(i) Preventive measures:-

It includes proper medical check up of employee before employment and at regular intervals,

removing the health hazards to the maximum possible extent, educating the workers about health & hygiene etc.

(ii) Curative Measures:-

It consists of treatment of affected workers. Proper training should be given to first aid staff. But prevention is always better than cure.

Statutory Provisions Concerning Health

Sec. 11 to 20 of the factories Act, 1948 contains provision regarding creation of healthy working conditions for workers. These are explained below:

1. ***Cleanliness (Sec. 11):*** Every factory shall be kept clean and free from effluvia arising from any drain, privy or the nuisance. Particularly
   (a) Accumulation of dirt and refuse shall be removed daily by sweeping or by only other effective method from the floors, workrooms, stairs, passages.
   (b) The floor of every workroom shall be cleaned by at least once in every week by washing and using disinfectant or any other effective method where ever necessary.
   (c) Where the floor is liable to become wet in the course of any manufacturing process to such extent as is capable of being drained, effective means of drainage shall be provided and maintained;
   (d) Walls, partitions, ceiling, doors, windows etc. shall be properly cleaned and repainted periodically.
2. ***Disposal of waste and Effluents (Sec. 12) :*** Effective arrangement shall be made in every factory for the treatment of wastes and effluents due to manufacturing process carried on therein, so as to render them innocuous and for their disposal.
3. ***Ventilation and Temperature (Sec. 13) :*** Effective and suitable provision shall be made in every factory for securing and maintaining in every workroom.
   (a) adequate ventilation by the circulation of fresh air, and
   (b) such a temperature as will secure to workers therein reasonable conditions of comfort and prevent injury to health, and in particular:
      (i) walls and roofs shall be of such material and as designed that such temperature shall not be exceeded but keep as low as practicable;
      (ii) where the nature of the work carried on in the factory involves, or is likely to involve, the production of excessively high temperature, such adequate measures are practicable shall be taken to protect the workers there from, by separating the process which produces such temperature from the workroom, by insulating the hot parts or other effective means.
4. ***Dust and Fume (Sec. 14) :*** In every factory in which, by reason of the manufacturing process carried on, there is given off any dust or fume or other impurity of such a nature and to such an extent as is likely to be injurious or offensive to the workers employed therein, or any dust in substantial quantities, effective measures shall be taken to prevent its inhalation and accumulation in any workroom, and if any exhaust appliance is necessary for this purpose, it shall be applied as near as possible to the point of origin of dust, fume or other impurity, and such point shall be enclosed so far as possible.

In any factory, no stationary internal combustion engine shall be operated unless the exhaust is conducted into the open air and no other internal combustion engine shall be operated in any room unless effective measures have been taken to prevent such accumulation of fumes there from as are likely to be injurious to workers employed in the room.

5. ***Artificial Humidification (Sec. 15):*** In respect of all factories in which the humidity of the air is artificially increased, the State Government may make rules:

(a) Prescribing standards of humidification;

(b) Regulating the methods used for artificially increasing the humidity of air;

(c) Directing prescribed tests for determining the humidity of the air to be correctly carried out and recorded;

(d) Prescribing method to be adopted for securing adequate ventilation and cooling of the air in the workrooms.

6. ***Overcrowding (Sec. 16)***

1. No room in any factory shall be overcrowded to an extent injurious to the health of the workers employed therein.
2. Without prejudice to the generality of sub-section (1), there shall be in every workroom of a factory in existence on the date of the commencement of this Act at least three hundred fifty cubic feet of space for every worker employed therein; and for the purposes of this sub-section, no account shall be taken of any space which is more than fourteen feet above the level of the floor of the room.

7. ***Lighting (Sec. 17)***

1. In every part of a factory where workers are working or passing, there shall be provided and maintained sufficient and suitable lighting, natural or artificial, or both.
2. In every factory, all glazed windows and skylights used for the lighting of the workrooms shall be kept clean on both the inner and outer surfaces.
3. In every factory, effective provision shall, so far as is practicable, be made for the prevention of;

(a) glare, either directly from a source of light or by reflection from smooth or polished surface;

(b) the formation of shadows to such an extent as to cause eye strain or the risk of accident to any worker.

8. ***Drinking Water (Sec. 18)***

1. In every factory, effective arrangements shall be made to provide and maintain at suitable points conveniently situated for all workers employed therein a sufficient supply of wholesome drinking water.
2. All such points shall be legibly marked "drinking water" in a language understood by a majority of the workers employed in the factory, and no such point shall be situated within twenty feet of any washing place, urinal or latrine unless a shorter distance is approved in writing by the chief inspector.
3. In every factory wherein more than two hundred and fifty workers are ordinarily employed, provisions shall be made for cooling drinking water during hot weather by effective means and for distribution thereof.

9. ***Latrines and urinals (Sec. 19). In every factory:***

(a) Sufficient latrine and urinal accommodation of prescribed types shall be provided conveniently situated and accessible to workers at all times while they are at the factory;

(b) Separate enclosed accommodation shall be provided for male and female workers;

(c) Such accommodation shall be adequately lighted and ventilated, and no latrine or urinal shall, unless specially exempted in writing by the Chief Inspector, communicate with any workroom except through an intervening open space or ventilated passage;

(d) All such accommodation shall be maintained in a clean and sanitary condition at all times;

(e) Sweepers shall be employed whose primary duty would be to keep clean latrines, urinals and washing places.

10. ***Spittoons (Sec. 20)***. In every factory, there shall be provided a sufficient number of spittoons in convenient places and they shall be maintained in a clean and hygienic condition.

Employee Safety

Employees safety is necessary and it influence the productivity particularly in hazardous industries like chemical and fertilizers. Safety measures preventing accidents which are disastrous to both employees as well as employer. According to the factories Act 1948, an industrial act accident has been defined as "occurrences in an industrial establishment causing bodily injury to a person which make him unfit to resume his duties in the next 48 hours". Industrial safety and efficiency are directly related to each other. Safety measures not only reduce industrial accident but also improve efficiency. Safety measures also boost morale of workers and this helps in developing team spirit and sense of belongingness among the employees. When safety measurers are properly taken then employee can concentrate on their work with confidence and without fear. Every employer should pay due attention towards industrial safety and take adequate steps to prevent industrial accidents because industrial accident causes a great loss for employer and employee both.

Loss for Employer

(i) Cost of compensation required to be paid
(ii) Cost of training to new worker.
(iii) Cost of the lost time when work stops due to an accident.
(iv) Cost of spoilage of material
(v) Cost of damage to machinery.

Loss for Employee

(i) Loss of wages
(ii) Loss of Morale
(iii) Loss of worker and his family.
(iv) Physical injury to the worker.

Measurement of Accidents

There are mainly two ratios to measure accident. Frequency rate and severity rate. Frequency rate is the number of time-lost accidents per 10,00,000 man hours worked. The severity rate means the total number of days charged or lost because of accidents per 10,00,000 man hours worked.

$$\text{Accident frequency rate} = \frac{\textit{No. of Injuries X } 10{,}00{,}000}{\textit{Total No. of man hours worked}}$$

$$\text{Accident Severity Rate} = \frac{\textit{No. of Man days lost X } 10{,}00{,}000}{\textit{Total number of man hours worked}}$$

Records related to industrial accidents and steps taken to prevent them must be maintained systematically. These records help in identifying the areas of further improvement in ensuring employee safety. It is also obligatory to maintain the records under the workman's compensation Act. The records should contain the following information:

(i) The total number of employees in the Unit who are exposed to different type of accidents.

(ii) The severity of the accident – Whether it resulted in a broken bone, a deep cut and the time that was lost as a result of it.

(iii) The date, time and the shift during which the accident occurred;

(iv) The total number of years during which the employee was engaged on that particular job when the accident occurred.

(v) Personal data, including the age and health of the injured employee; and

(vi) The immediate cause of the accident whether it was the result of malfunctioning of a machine, or whether the employee failed to use the safety devices provided for the purpose of preventing accidents etc.

Causes of Industrial Accident

Industrial accidents may take place due to the following reasons:-

(i) There are many jobs which are inherently dangerous. Coal mines, construction, transport, chemical industries are more dangerous than others.

(ii) Lack of proper lighting arrangement is another reason for accident.

(iii) Working at the night shifts is more prone to accidents due to fatigue and sleepiness.

(iv) Emotional disturbance, over work, boredom, anxiety, fatigue and frustration disturb the concentration and mental alertness which leads to accidents.

(v) Some times due to unsafe acts accident may occur. These unsafe acts may arise due to lack of knowledge and skills, faulty attitude or carelessness. These includes

a) Operating the machine without authority

b) Failure to use safety devices

c) Using unsafe equipment.

d) Operating at a very high speed.

e) Cabinet's drawers are left open.

f) Edges of equipment are not properly covered

g) Using unsafe procedure in loading & unloading.

h) Careless throwing equipment and material on floor.

(vii) Lack of training leads to accident. Untrained and inexperienced workers cause more accidents than old, trained and experienced workers.

(viii) Using alcohol or drug leads to accident.

Measurers to ensure Industrial Safety

The main steps to ensure safety and security of employees are as follows:

1. ***Safety Committee:*** Every large factory should constitute a safety committee. The committee should consist of the representative of both the employer and employee. The safety programme should be formulated by safety committee.
2. ***Safety Training:*** The safety committee not only formulates the safety programme but also see the implementation process. The employees should be trained with the safety methods. Possible causes of accident should be explained and they should also be trained that will keep them out of danger. Safety contest may be organised and prizes awarded to most safe worker/department to develop safety competition. Disciplinary actions/ punishment may be used for breach of safety regulations.
3. ***Gaurding of Machines:*** Machines which pose danger to the employees should be properly covered or fenced. Specially moving or rotating parts of machine should be properly covered. Guard should be properly designed so that they provide positive protection, prevent access to danger zone and cause no inconvenience to the operator.
4. ***Materials handling Equipment:*** Flow of material during different stages of production should be properly planned to eliminate hazards. Material handling equipments should be installed to carry bulky materials from one place to another.
5. ***Maintenance of Plant:*** All equipment in the plant should be well placed. Regular cleaning, repairing & maintenance are necessary. Periodic inspections of machines, electric installation, and leakage should be check.
6. ***Safety Devices:*** Safety glass to protect the eyes from hazards of fires, dust, fumes should be provided. Hand gloves, masks, helmets & safety footwear etc. should be provided to prevent the injuries. Fire fighting equipments should be in working conditions specially in case of operations which involves risk of fire.
7. ***Clean Floor:*** Floors, passages and stares must be kept clear of obstructions. Tools & parts should be stored safely after use. Floor should be kept clean & dry. There should be no trailing of telephone cables on the floors.

Provisions Concerning Industrial Safety

1. ***Fencing of Machinery:*** Section 21 lays down that in every factory, the following namely:-

   (i) Every moving part of a prime mover and fly wheel connected to a prime mover; (ii) The head-race and tailrace of every water wheel and water turbine. (iii) Unless they are in such position or such constitution as to be safe to every person employed in the factory as they would be if they were securely fenced, the following namely-

   (a) Every part of an electric generator, a motor or rotary converter, (b) every part

of transmission machinery and (c) every dangerous part of any other machinery; shall be securely fenced by safeguard of substantial construction which shall be kept in position while the parts of machinery they are fencing, are in motion or use.

2. ***Work on or near machinery in motion:*** Section 22 as amended by factories (Amendment Act) 1976 provided that where in any factory it becomes necessary to examine any part of machinery while the machinery is in motion, such examination or operation shall be made or carried out only by a special trained adult male worker wearing tight fitting clothing whose name has been recorded in the register prescribed in this behalf and who has been furnished with a certificate of his appointment, and while his so engaged, such employee shall not handle a belt at a moving pulley unless:-

(i) the belt is not more than 15 centimeters width, (ii) the pulley is normally for the purpose of drive and merely a fly wheel or balance wheel (in which case a belt is not permissible) (iii) the belt joint is either laced or flush with the belt; (iv) the belt including the joint and the pulley rim, are in good repair, (v) there is reasonable clearance between the pulley and any fixed plant or structure; (vi) secure foothold, and where necessary secure hand-hold, are provided for the operator:

(ii) any ladder in use of carrying out any examination or operation aforesaid is security fixed or is firmly held by a second person and (iii) every set-screw, belt and bay on any revolving shaft, spindle heel or pinion, and all spur, worm and other toothed or fiction, gearing in motion with which such worker would otherwise be liable to come into contact shall be securely fenced to prevent such contact. (Section 22 (1)

3. ***Employment of young persons on dangerous machine:*** Section 23 lays down that where any machine is declared a dangerous for young persons, no young person shall work at any machine to which-this section applies. Unless he has been fully instructed as to the dangers arising in connection with the machine and precautions to be observed and-

(a) has received sufficient training in work at the machine, or (b) is under adequate supervision by a person who has a through knowledge and experience of the machine [Section 23(1)]

4. ***Striking and devices for cutting off power:*** According to section-24 in every factor:-

(a) Suitable striking gear or other efficient mechanical appliances shall be provided and maintained and used to move driving belts to and from fast and loose pulleys, (b) driving belts when not in use shall not be allowed to rest or ride upon shafting in motion. (Section 24 (1)] In every factory suitable devices for cutting off power emergencies from running machinery shall be provided and maintained in every work-room. (Section 24(2)]. (c) when a device, which can inadvertently shift from "off" to "on" position is provided in a factory to cut off power arrangements, shall be provided for locking the device in safe position to prevent accidental starting of the transmission machinery or other machine to which the device is fitted (Section 24) (3)].

5. ***Self-acting machines*:** Section 25 enacts that no traversing part of a self-acting machine in any factory and no material carried thereon shall, if the space over which it runs is a space over which any person is liable to pass, whether in the course of his employment or otherwise, be allowed to run on its outward or in ward traverse within a distance of

45 centimeters from any fixed statement which is not part of the machine. But the chief inspector may permit the continued use of a machine installed before the commencement of this Act which does not compiy with the requirement of this section on such conditions for ensuring safety as he may think fit to impose.

6. ***Casing of new machinery:*** Section 26 provides that all machinery driven by power and installed in any factory after 18th April, 1949- (a) every set screw, bolt or key or any revolving shaft, spindle wheel or pinion shall be so sunk, encased or otherwise effectively guarded as to prevent danger; (b) further, all spur, worm and other toothed or friction gearing which does not require frequent adjustment while in motion shall be completely encased unless it is safely situated. [Section 26(1)].

7. ***Prohibition of employment of women and children near cotton openers:*** Section 27 lays down that no women or child shall be employed in any part of a factory for pressing cotton in which a cotton-opener is at work. But if the feed-end of a cotton-opener is in a room separated from the delivery end by a partition extending to the roof or such height as the inspector may be employed on the side of the partition where the feed end is situated.

8. ***Hoists and lifts:*** According to Section 28 in every factory-

(a) every hoist and lift shall be:-

(i) of good mechanical construction, sound material and adequate strength and sufficiently protected and fitted with gates: (ii) properly maintained and shall be thoroughly examined by a competent person at least once in every period of six months and a register shall be kept containing the prescribed particulars of every such examination. (b) The maximum safe working load shall be plainly marked on every hoist or lift and no load shall be carried thereon. (c) The case of every hoist of lift used for carrying persons shall be fitted with a gate on each side from which access is afforded to a landing. (d) Every gate shall be fitted with interlocking or other efficient device to secure that the gate cannot be opened except when the cage is at the lending and that cage cannot be moved unless the gate is closed.

9. ***Lifting machines, chairs, ropes and lifting tackles:*** In terms of section 29, in any factory the following provisions shall be complied with respect of every lifting machine (other than a hoist and lift) and every chain, rope and lifting tackle of the purpose of raising or lowering persons, goods or materials.

(a) all parts including the working gears whether fixed or movable shall be (i) of good construction, sound material and adequate strength and free from defects (ii) properly maintained and (iii) thoroughly examined by a competent person at least once in every period of 12 months or at such intervals as chief inspector may specify in writing and a register shall be kept containing the prescribed particulars of every such examination;

(b) no lifting machine or no chain, rope or lifting tackle, shall except for the purpose of test, be locked, beyond the safe working lead which shall be plainly marked thereon together with an identification mark and duly entered in the prescribed register and where it is not practicable, a table showing the safe working loads of every kind

and size of lifting machine or chain or rope or lifting tackle in use shall be displayed in promised position on that premises:

(c) while any person is employed or working near the wheel truck of traveling crane in any place where he would be liable to the struck by the crane, effective measures shall be taken to ensure that the crane does not approach within six meters of that place. [Section 29(1)]

10. ***Safety measures in case of use of revolving machinery:*** Section 30 provides that in every room in a factory in which the process of grinding is carried on there shall be permanently affixed to or placed near each machine in use a notice indicating the maximum safe speed of every grindstone or abrasive wheel, the speed of the shaft or spindle upon which the wheel is mounted and the diameter of the pulley upon such shafts or spindle necessary to secure such safe working peripheral speed. [Section 30(1)]. The speeds indicated in notice shall not be exceeded [Sec 30(2)]. According to section 30(3), effective measures shall be taken in every factory to ensure that the safe working peripheral speed of every revolving vessel, cage, basket, fly-wheel, pulleys, disc or similar appliance driven by power is not exceeded.

11. ***Pressure Plant:*** Section 31 lays down that if in any factory, any part of plant or machinery used in a manufacturing process is operated at a pressure above atmospheric pressure, effective measures shall be taken to ensure that the safe working pressure of such part is not exceeded [Section31(1)]. The state Government may make rules providing for the examination and testing of any plant or machinery and prescribing such other safety measures in relation thereto and may also, by rules exempt any part or machinery from the provisions of this section. [Section 31 (2&3)].

12. ***Floors, stairs and means of access:*** According to Section 32 in every factory (a) all floors, steps stains, passages and gangways shall be of sound construction and properly maintained and where it is necessary to ensure safety, steps, stairs, passages are kept free from destruction and substances likely to cause persons to slip Gangways shall be provided with substantial handrails (b) there shall, so far as is reasonably practicable, be provided and maintained safe means of access to every place at which any person is at any time required to work, (c) when any person has to work at a place from where he is likely to fall, a distance exceeding two meters then, unless the place is one which provides secure foothold and where necessary secure foothold, provision shall be made by fencing or otherwise to ensure the safety of the person so working.

13. ***Pits, sumps, openings in floors etc:*** Section 33 provides that in every factory every fixed vessels, sump, tank, pit or opening in the ground or in a floor shall be either securely covered or securely fenced. [Section 31(1)].

The state Government may, by order in writing, attempt, subject to such conditions as may be prescribed, any factory or class or description of factories in respect of any vessel, sump, tank, pit or opening from compliance with the provisions of this section. [Section 33(2)].

14. ***Excessive weights:*** Section 34 says that no person shall be employed in any factory to lift, carry or move any load so heavy as to be likely to cause him injury. (Section 34(1). The state Government may make rules prescribing the maximum weights which may be lifted, carried or moved by adult men, adult women, adolescents and children employed

in factories or in any class or description of the factories or in carrying on any specified process. [Section 34(2)].

15. ***Protection of eyes:*** According to section 35, in every factory effective screens or suitable goggles shall be provided for the protection of person employed on or in the immediate vicinity of the manufacturing process which involves risk to eyes to workers from particles or by exposure to excessive light. The state Government may make rules in this connection.

16. ***Precautions against dangerous fumes:*** According to section 36, in any factory no person shall enter or be permitted to enter any chamber, tank, vat, pit, pipe, flue or other confined space in which dangerous fumes are likely to be present to such on extent as to involve risk of persons being overcome thereby unless he is provided with a manhole of the adequate size or other effective means. [Section 36(1)].

17. ***Precautions regarding the use of portable electric light*** : Section 36A inserted by factories (Amendment) Act, 1976, provides that in any factory:-

(i) no portable electric light or any other electrical appliance of voltage exceeding 24 volts shall be permitted for use inside any chamber, tank, vat, pit, pipe, flue or other confined space and.

(ii) in any inflammable gas, fume, or dust is likely to be present in such chamber, tank, vat, pit, pipe, flue or other confined space, no lamp or light other than that of flame-proof construction shall be permitted to be used therein.

18. ***Explosive or inflammable dust, gas etc*** : Section 39 provides that where in any factory any manufacturing process produces dust, gas, fume or vapour which is likely to explode on ignition all practicable measures shall be taken to prevent any such explosion by:-

(a) effective enclosure of the plant and machinery used in the process

(b) removal or prevention of the accumulation of such dust, gas, fume or vapour and

(c) exclusion or effective enclosure of all possible sources ignition. (Section 37(1)).

19. ***Precaution in case of fire:*** Section 38(1) in every factory, all practicable measures shall be taken to prevent outbreak of fire and its spread, both internally and externally, and to provide and maintain:-

(a) safe means of escape for all persons in the event of a fire and

(b) the necessary equipment and facilities for extinguishing fire. (Section 38(1).

Effective measures shall be taken to ensure that in every factory all the workers are familiar with the means of escape in case of fire and have been adequately trained in the routine to be followed in such cases (Section 38(2).

20. ***Power to require specifications of defective party or test of stability:*** Under Section 39 if it appears to the inspector that any building or part of building or any part of the ways, machinery or plant in a factory is in such a condition that it may be dangerous to human life or safety, he may serve on the manager or occupier both of the factory an order in writing requiring him before a specified date:-

(a) to furnish such drawings, specifications and other particulars as may be necessary to determine whether such buildings, ways, machinery or plant can be used with

safety or

(b) to carry out such test in such manner as may be specified in the order, and to inform the inspector of the results thereof.

21. **Safety of building and machinery**: Under section 40 if it appears to the inspector that any building or part of a building or any part of the ways, machinery or plant in a factory is in such a condition that it is dangerous to human life or safety, he may serve on the manager or occupation or both of the factory in writing specifying the measures taken out before a specified date and in case danger is imminent, prohibiting their use until they are properly repaired or altered. Section 40 (1 and 2).

22. **Maintenance of building (Section 40A)** : Section 40A inserted by factories (Amendment) Act, 1976 provides that if it appears to the inspector that any building or part of a building in a factory is in such a state or disrepair as is likely to lead to conditions detrimental to the health and welfare of the employees, he may serve on the occupier or manager or both of the factory an order in writing specifying the measures which in his opinion should be taken and requiring the same to be carried out before such date as is specified in the order.

SELF PRAEPARATORY QUESTIONS

Q.1 Explain the significance of Industrial Health and Safety in effective management of human resources.

Q.2 What are occupational hazards and diseases?

Q.3 What provisions have been made regarding health of workers in factories according to Factories Act 1948?

Q.4 Explain the measures that should be taken to protect employee health in industries.

Q.5 Explain the concept of Industrial Safety. Discuss the relationship between Industrial Safety and Productivity.

Q.6 What steps will you take in a factory for the safety of workers operating dangerous machines? Discuss.

Q.7 Define Industrial Accident. What are its causes and measures to remove these causes?

CHAPTER 7: EMPLOYEE WELFARE

— Manu Umesh

After reading this chapter students will be able to understand the concept of:

- ***Employee Welfare***
- ***Significance & Agencies of Employee Welfare***
- ***Types of Welfare Services***
- ***Statutory Provision Regarding Employee Welfare***

Introduction

After employees have been hired, trained and remunerated, they need to be retained and maintained to serve the organisation better. Welfare facilities are designed to take care of the well-being of the employees. They do not generally result in any monetary benefit to the employees nor are these facilities provide by employers alone. Governmental and non governmental agencies and trade unions too, contribute towards employee welfare.

Welfare means faring or doing well. It is a comprehensive term and refers to the physical, mental, moral and emotional well being of an individual. Further, the term welfare is a relative concept, relative in time and space. It, therefore, varies from time to time, from region to region and from country to country. Employee welfare also referred to as betterment work for employees, related to taking care of well being of workers by employers, relates to taking care of well being of workers by employers, trade unions and governmental and non-governmental agencies.

According to James Todd "Labour welfare means anything done for the comfort and improvement, intellectual or social, of the employees over and above the wages paid which is not a necessity of the industry".

The modern concept of labour welfare entails all those activities of the employers which are directed towards providing the employees with certain facilities and services in addition to wages or salaries. Labour welfare has the following objectives:

(i) To provide better life and health to the workers.

(ii) To make the workers happy, satisfied and efficient.

(iii) To relieve workers from industrial fatigue and improve intellectual, cultural and material conditions of living of the workers.

The basic features of employee welfare are as follows:

(i) Labour welfare includes various facilities and amenities for the betterment of employee.

(ii) Labour welfare is in addition to regular wage and other economic benefits. It is due to legal provisions or collective bargaining.

(iii) Labour welfare is a dynamic concept. Its measures are flexible in nature. New welfare measures are added to the existing measures from time to time.

(iv) Welfare measures may be provided by employer, government, trade unions and other agencies.

(v) The purpose of labour welfare is to improve the personality of the worker and to make him good worker & good citizen.

(vi) Employee welfare measures may be voluntary and statutory.

Significance of Employee Welfare

Employee welfare is in the interest of the employee, Labfour welfare facilities provide efficient, healthy loyal and satisfied labour force for the organisation. The industrial worker is indeed a soldier safeguard the social and economical factors of the industrial economy and his action will have a great impact and influence on the industrial development. There is every need to take extra care of the worker to provide both statutory and non statutory facilities to him. Employee welfare facilities lead to higher morale and productivity of the labour. Employee welfare is also in the interest of the large society because the health happiness and efficiency of each individual represents a general well being of all.

Employee welfare provides the following benefits

(i) Welfare facilities provide better physical and mental health to the workers and make them happy.

(ii) It improves the morale and loyalty of workers by making them satisfied & happy.

(iii) It raises labour productivity and bring industrial peace and cordial labour management relationship.

(iv) It reduces labour turnover and absenteeism thereby building a stable workforce.

(v) Labour welfare may help in minimising social evils, such as drinking, gambling, prostitution, drug addiction and the like. By welfare facilities health of the employee improves and keep them cheerful,.

(vi) Welfare measures increases the reputation for showing concern and helps to improve the local image of the company as a good employer and thus assist in recruitment.

(vii) Voluntary efforts for the welfare of workers reduce the threat of further government intervention.

Agencies of Employee Welfare

The main agencies engaged in employee welfare includes

(a) Central Government (b) State Government (c) Employers (d) Trade Union (e) Other Agencies.

The contributions of these agencies are as follows.

1. Central Government:

Central Government has passed a number of acts for the welfare of workers. The important acts are:-Factories Act 1948, Indian Mines Act 1952, Plantation Labour Act 1951, Motor Transport Workers Act 1961 etc. Central government not only makes provisions of the act but also administers the implementation of industrial and labour laws. These acts provide for canteen, rest and lunch rooms, creches, medical aid, washing facilities etc. They also regulate the age of employment and hour of works. Central Government also makes programmes & schemes for housing facility, provident fund and other social security schemes.

2. State Government:

The State Government has the power to prescribe rules for the welfare of workers and appoint appropriate authorities for the enforcement of welfare provisions under various laws. State Government run health and family planning centres, centres for education, vocational guidance and training programme and other welfare centres. State Government plays a major role since most of the workers in India are unable to procure such facilities.

3. Employer:

In past Employers in India did little for the welfare of the workers except few. But now the situation has change. Now employer takes interest in the welfare of his worker both voluntarily and under statutory provisions. These includes residential accommodation to employees, medical and transport facilities, recreation room, reading rooms, scholarship to children of workers gymnasium, schools, clubs etc. Progressive concerns offer a very wide range of facilities to their workers TISCO, Bombay Mill owners Association; Indian Jute Mills Association etc. are some of the examples.

4. Trade Unions:

Trade unions are supposed to raise the welfare of workers and provide certain welfare facilities to their members but trade unions have done little for the welfare of the workers. But few strong unions have done alot for the welfare of the workers by providing the following welfare facilities:

(a) Hospitals, dispensaries and maternity homes.
(b) Schools reading room, libraries.
(c) Sports, recreation and cultural centres.
(d) Co-operative stores and co-operative bank.
(e) Residential boarding house etc.

Ahmedabad Textile labour associations, Rashtriya Mill Majdoor Sangh, Majdoor Sabha Kanpur are few of the pioneers in providing welfare facilities to the workers.

5. Other Organisations

Some other charitable and social service organisation conduct social welfare activities and provide facilities for the welfare of working class on a voluntary basis. These agencies provide medical and, educational facilities, scholarship etc. For example YMCA provides educational and medical services etc.

TYPES OF WELFARE SERVICES

Welfare services may be classified into following:-

1. ***Intramural:*** Services provided within the establishment e.g. Rest rooms, shelters, canteen, medical aid etc.
2. ***Extra Mural:*** Services provided outside the establishment e.g. Housing facility, transport facility children's education, sports ground etc.

Employee welfare services may also be classified as:-

1. ***Economic welfare services:*** These provides some additional economic security over and above wages e.g. pension, life insurance, credit facility etc.
2. ***Recreational Welfare Services:*** To improve the attitude of the employee from the

routine work. It includes reading rooms, libraries, indoor games, T.V., Radio etc. for the recreation of the employees.

3. ***Facilitative Services:*** These are the facilities given to employees for their welfare it includes, Housing facility medical facility, Canteen, rest room etc.

Employ welfare services may also be classified as voluntary and statutory. Many employers provide the following welfare facilities.

1. ***Housing facility:*** Due to shortage of housing accommodation in the industrial cities some organisations construct flats for their employees and provide them at a very concessional rate or some time rent free. Some organisations provide housing loans to their employee at a very cheaper rate of interest.
2. ***Education Facility:*** Education facilities may be provided by the organisation for employee's education and education for their children. In 1957 Government of India formulated on All India Scheme for Worker's Education. The Central Board of Worker's Education was constituted to administer the scheme.
3. ***Transport Facility:*** With the growth of industries, the distance between the workplace and residence of worker has increased considerably. It is therefore necessary to provide proper transport facility to and from the factory. Many organisations have their own buses. Where transport facility is not given some conveyance allowance should be paid.
4. ***Canteen, Rest room etc:*** Unless proper facilities for food, tea and rest room are available, health and efficiency of the worker will go down. Hence almost all factories are required to provide canteens where food can be obtained either at a fair price or at substantial rates.
5. ***Recreation Facilities:*** For physical and mental health of the employee recreation facilities in the form of music, art, theatre, sports and games play an important role. Management may provide for indoor games like Table Tennis, Chess, Carom Board etc. in the common room for employees.

Statutory Provision Regarding Employee Welfare

Employers are required to provide welfare facilities for workers under the following laws:

1. ***The Factories Act 1948:*** Section 42 to 49 of the Factories Act, 1948 contains specific provisions relating to welfare of labour in factories. These provisions are discussed below.
   (a) In every factory adequate and suitable facilities for washing shall be provided and maintained for the use of workers and separate facilities shall be provided for the use of male and female worker (Sec. 42).
   (b) Every factory shall have suitable places for keeping clothing not worn during working hours and for drying of wet clothing (Sec. 43).
   (c) In every factory, suitable arrangements for sitting shall be provided and maintained for all workers obliged to work in a standing position (Sec. 44).
   (d) There shall be in every factory being provided a first aid boxes or cupboard properly maintained shall not be less than one for every one hundred fifty workers. In every factory where more than 500 workers are ordinarily employed an ambulance facility should be provided (Sec. 45).

(e) Where more than 250 workers are employed canteen facility should be provided by the employer (Sec. 46).

(f) Adequate shelter, rest room and suitable lunch room, with providing for drinking water, should be provided there are more than 150 workers (Sec. 47).

(g) In every factory, where in more than 30 women workers are ordinarily employed, there shall be provided & maintained crech facility for children below the age of six years (Sec. 48).

(h) Factory where more than 500 workers are employed the occupier shall employ in the factory such number of welfare officer as may be prescribed.

The Plantations Labour Act, 1951

The following welfare measures are to be provided to the plantation workers:

1. Canteens in plantations employing 150 or more workers (Sec. 11)
2. Creches in plantations employing 50 or more women workers (Sec. 12)
3. Recreational facilities for the workers and their children (Sec. 13)
4. Educational facilities in the estate for the children of workers, where there are 25 workers children between the age of 6 and 12 (Sec. 14).
5. Housing facilities for every worker and his family residing in the plantation. The standard and specification of the accommodation, procedure for allotment and rent chargeable from workers, etc., are to be prescribed in the Rules by the state governments. (Sec. 15 and 16).
6. The state government may make rules requiring every plantation employer to provide the workers with such number and type of umbrellas, blankets, raincoasts or other like amenities for the protection of workers from rain or cold as may be prescribed (Sec. 17).
7. Appointment of a Welfare Officer in plantation employing 300 or more workers (Sec. 18).

The Mines Act, 1952

The main obligations of the mine owners regarding health and welfare of their workers are as follows:

1. Maintenance of creches where 50 or more women workers are employed;
2. Provision of shelters for taking food and rest if 150 or more persons are employed;
3. Provision of canteen in mines employing 250 or more workers;
4. Maintenance of first-aid boxes and first-aid rooms in mines employing 150 or more workers.
5. Provision in coal mines in (i) pit head baths equipped with shower baths, (ii) sanitary latrines and (iii) lockers, separately for men and women workers.
6. Appointment of a Welfare Officer in mines employing more than 500 or more persons to look after the matters relating to the welfare of workers.

The Merchant Shipping Act, 1958

The provisions under this act relating to welfare of workers cover the following:

1. Crew accommodation;
2. Supply of sufficient drinking water;
3. Supply of necessities like beddings, towels, mess utensils;
4. Supply of medicines, medical stores, and provision of surgical and medical advice, etc;
5. Maintenance of proper weights and measures on board; and grant of relief of distressed seamen abroad a ship;
6. Every foreign-going ship carrying more than the prescribed number of persons, including the crew, is required to have on board as part of her complement a qualified medical officer;
7. Appointment of a Seamen's Welfare Officer at such ports in or outside India as the government may consider necessary;
8. Establishment of hostels, clubs and canteens, libraries etc;
9. Provision of educational facilities etc.

The Motor Transport Workers Act, 1961

1. Canteens of prescribed standard, if employing 100 or more workers (Sec. 8).
2. Clean, ventilated, well-lighted and comfortable rest rooms at every place wherein motor transport workers are required to halt at night (Sec. 9).
3. Uniforms, raincoats to drivers, conductors and line checking staff for protection against rain and cold. A prescribed amount of washing allowance is to be given to the above mentioned categories of staff (Sec. 10)
4. Medical facilities are to be provided to the motor transport workers at the operating centers and at halting stations as may be prescribed by the State Governments (Sec. 11).
5. First-aid facilities equipped with the prescribed contents are to be provided in every transport vehicle, (Sec. 12).

The Dock Workers (Regulation of Employment) Act, 1948

The Dock Workers (Safety, Health and Welfare) Scheme 1961 has been framed for all major ports and is administered by the Chief Advisor, Factories (Factory Advice Service and Labour Institutes). It is framed under the Dock Workers (Regulation of Employment) Act, 1948.

Amenities provided in the port premises include provision of : (i) urinals and latrines; (ii) drinking water; (iii) washing facilities; (iv) bathing facilities; (v) canteens; (vi) rest shelters; (vii) call stands; (viii) first-aid arrangements.

Other welfare measures provided are: (a) housing; (b) schools, (c) educational facilities; (d) grant of scholarships; (e) libraries; (f) sports and recreation; (g) fair price shops; and (h) cooperative societies, etc.

Cost of amenities, welfare and health measures and recreation facilities for registered workers shall be met from a separate fund called the Dock workers' Welfare Fund which shall be maintained by the Board. Contributions to this Fund shall be made by all registered employers at such rate as may be determined by the Board. The Board shall frame rules for contributions for the maintenance and operation of the Fund. Different rates of welfare levy at different ports have been fixed.

Labour Welfare Officer

The factories Act, the Plantation labour Act and Mines Act provide for the appointment of one or more labour welfare officers, if more than certain number of employees are worked in the factory, plantation or mines.

The Labour welfare officer should possess:-

(a) a university degree (b) degree or diploma in social work/social welfare from a recognised institution and (c) adequate knowledge of the language by the majority of workers in the area where the factory is situated. Labour welfare officer has to do the following duties.

1. He should supervise (a) safety, health and welfare programmes, (b) working of joint committee (c) grant of leave with wages.
2. He should counsels the worker in their personals family problems.
3. He should advise management on matters of formulating labour and welfare services policies, apprenticeship training programmes, workers education and use of communication media.
4. He should establish a liaison with workers so that they may come to settlement incase of dispute and understand the limitations under which they work.
5. he should also establish a liaison with management so that they may appreciate worker's viewpoint on various matters in the plant.

SELF PREPARATORY QUESTIONS

Q.1 What do you understand by employee welfare? Discuss the importance of providing welfare facilities to workers.

Q.2 Explain the agencies engaged in employee welfare in India.

Q.3 What are main types of welfare services available to industrial workers?

Q.4 What are the statutory provisions concerning employee welfare under different acts.

Q.5 Explain the qualifications and duties of labour welfare officer.

CHAPTER 8: SOCIAL SECURITY

— Manu Umesh

After reading this chapter students will be able to understand the concept of:

- *Social Security*
- *Scope of Social Security*
- *Social Security in India*
- *Employee Grievance*
- *Sources of Grievance*

Introduction

Social security has been defined as the securing of an income to take the place of earnings when they are interrupted by unemployment, sickness or accident, to provide for retirement through old age, to provide against loss of support by death of another person and to meet exceptional expenditure connected with birth, death and marriage. The purpose of social security is to provide an income up to a minimum and also medical treatment to bring the interruption of earnings to an end as soon as possible.

According to ILO "Social security is that security that society furnishes through appropriate organisation against certain risks to which its members are exposed. These risks are essentially contingencies against which the individual of small means and meager resources cannot effectively provide by his own ability of fore sight alone, or even in provide by his own ability of foresight alone, or even in private combination with his fellows. These risks may be sickness, maternity invalidity, old age and death. It is the characteristic of these contingencies that they impair the ability of working man to support himself and his dependents in health and decency.

The need of social security measurers arises to help the people when they are unemployed and are exposed to risks such as sickness, old age, invalidity maternity etc. Social security is the endeavor of community as a whole, to afford itself to the utmost extent possible to any individual during periods of physical distress consequent on illness or injury and from the economic distress consequent on reduction on loss of earning due to illness, disablement, maternity, unemployment, old age or death of the working member.

Scope of Social Security:

The scope of social security is very wide. The scheme of social security differs from country to country. It includes health insurance, family pension, provident fund, maternity benefits, compensation of injury etc. Social security is established by law and it includes some type of cash payment to individuals to compensate the employee for the lost of his income due to any contingencies or industrial disease. Social security scheme is of following types:-

(i) ***Social Insurance:*** Under such schemes workers and employers make periodical contribution which is necessary and satisfying worth during old age, sickness, unemployment and other contingencies of life. Provident fund and group insurance are examples of this type.

(ii) ***Social Assistance:*** Under these schemes the cost of benefits provided is financed fully by the government without any contribution from workers and employers. Benefits are however paid after judging the financial position of the beneficiary. e.g. Medical care, old age benefit, family benefit etc.

(iii) ***Public Service:*** Such programmes are financed by the Government from its revenue in the form of cash payments or services to every member of the community falling with in a defined category.

Social Security in India:

Indian constitution lay down, "The state shall within the limits of its economic capacity and development make effective provision. Securing the right to work, to education, public assistance in case of unemployment, old age, sickness, disablement and other cases of unsecured wants. Thus, social security constitutes an important step towards the goal of welfare state, by impairing living and working conditions and affordable people protection against the various kind of hazards. Social security measures helps in improving social and economic security and reducing the industrial disputes. It has become a major aspect of public policy in most of the countries. Social security should not be treated as burden but it is a wise investment which gives a long term benefits.

Several laws have been enacted since independence to provide for social security to workers. For example Employee's State Insurance Act, Employee's Provident fund Act, Workmen Compensation Act, Maternity benefit Act etc.

WORKMEN'S COMPENSATION ACT, 1923

The act as passed in 1923 providing for the payment of compensation to workmen and their families in case of industrial accidents and of certain occupational diseases arising out of and in the course of employment and resulting in death or disablement.

Applicability: The Act covers all workmen employed on railways, factories, mines etc. It applies to organised industries and hazardous occupations including building and loading or unloading operation.

The Act does not apply to persons:-

(i) Employed in administrative or clerical capacity.
(ii) Employed in casual work.
(iii) Employed in the Armed Forces.
(iv) Receiving wages exceeding Rs. 3,500 per month;
(v) Claiming Compensation under the Employee's State Insurance Act, 1948.

FEATURES OF THE ACT

1. The act provides social security to the workers. Employer is liable to pay compensation to a workman for all personal injuries caused to him by accident arising out of and in the course of employment which disable him for more than three days.
2. Workman loses the right of compensation if such accident can be attributed to workman, having been at the time of accident, under the influence of drink or drugs or if it is caused by his willful disobedience or rules or orders or disregard of safety measures.

3. The amount of compensation payable to a workman or his dependents depends on the nature and extent of disablement and his average monthly wages.
4. Minimum rate of compensation for permanent total disablement and death have been fixed at Rs. 60000 and Rs. 50,000 respectively.

The Employee's State Insurance Act, 1948

The Employee's State Insurance Scheme (ESIS) provides medical benefits in the form of medical attendance, treatment, drugs and injections to insured persons and to members of their families. The act is applicable to all factories employing 20 or more workers. It covers all type of workers whose remuneration does not exceed Rs. 6,500. The act is administered by the Employees State Insurance (ESI) Corporation. It is an autonomous body and includes the representative from Central and State Government, Employers, Employees, medical professional etc.

Benefits are provided from the Employees State Insurance Fund set through contribution from employer, employees and various grants and donations and gift received from Central and State Governments, Local authorities & others.

Benefits

The insured workers and their families are given the following benefits under the scheme.

(i) ***Medical Benefit:*** An insured person and his family is entitled to receive medical benefit free of charge.

(ii) ***Sickness Benefit:*** It consists of cash benefit for maximum period of 91 days. The daily rate of sickness benefit is calculated at half of average daily wages. If insured person is suffering from long term diseases like T.B. Leprosy etc. are entitled to extend sickness benefits up to an additional 309 days and the rate of payment in such case is about 62.5% of the wages.

(iii) ***Disablement Benefit:*** An injury for an insured person arising out of and the course of employment is entitled to get disablement benefit. If disablement is temporary full pay is paid in addition to free medical treatment. If disablement is permanent then cash payment is to be made for life.

(iv) ***Maternity Benefit:*** An insured woman is entitled to get cash benefit for confinement, miscarriage or sickness arising out of pregnancy. The benefit is payable at double the sickness benefit rate for a period of 12 weeks of which not more than 6 weeks shall precede the expected date of confinement. If the insured woman dies during the period of confinement, the nominee will receive the benefit for the whole of the period.

(v) ***Funeral Benefit:*** Cash assistance up to a maximum of Rs. 1000 is paid to the eldest member of the family of the insured person for funeral of an insured person.

(vi) ***Dependant Benefit:*** If an insured person dies in an industrial accident then the widow and children are entitled for cash benefit under this scheme. The widow will receive pension for her whole life or until her remarriage.

The Employee's Provident fund Act, 1952

Retirements benefits in the form of provident fund, family pension and deposit linked insurance are available to the employees under the Employee's Provident Fund Act, 1952. The act is applicable to an establishment employing 20 or more person all over India except Jammu & Kashmir. The act does

not apply to cooperative societies employing less than 50 people and working without the aid of power. The scheme is applicable to those drawing wages up to Rs. 5,000 per month. The employees contribute 8.33% of the basic wages and dearness allowance. The employer also makes the same contribution. The total contributions are deposited with the provident fund commissioner or invested in the prescribed manner. On retirement, death, migration leaving service, the full balance at his credit with interest is payable.

Employee's Family Pension Scheme

Under the scheme pension is paid to the widow/children of the employee in case of death of his employee and in case of his retirement in place of provident fund. An employee can choose either provident fund scheme or pension scheme. According to the new regulations, all new employees will have to opt for pension scheme.

Employee's Deposit Linked Insurance Scheme

Under this scheme, the legal heir of the deceased employee will receive an amount equal to the average balance in his provident fund during the preceding one year subject to a maximum of Rs. 3500. The employer and the Central Government make contribute to this fund and the employee is required to make no contribution.

The Payment of Gratuity Act, 1972

This act is applicable to factories, mines, oil fields, plantations, ports, railways, motor transport undertake shops and other establishments. The act is restricted to employees drawing wages not exceeding Rs. 3500 per months. Gratuity is payable on retirement, death, disablement or termination after five years of continuous service, gratuity is payable at the rate of 15 days wages for every completed year of service or part theory subject to a maximum of Rs. 2,50,000.

Group Life Insurance

Group life insurance is a scheme which provides insurance cover on the lives of several persons under one insurance policy or contract. The insurance on each life is, however, independent of that on the other lives.

The main features of group insurance are as follows:

(i) Insurance is provided to all employees without any evidence of insurability.
(ii) It provides risk coverage to the employees without any evidence of insurability.
(iii) The premium is paid either by the employer or by the employer & employee jointly.
(iv) If some injury or death is caused to an employee, the claim received by the employer from the insurance company is paid to him or his nominee.

Group life insurance is very cheap for employees, because a small amount of premium is paid by them to get their lives insured so it is very popular these days. Even the cost of administration for the insurance company is also very low as only policy is issued for several people.

Employee Grievance

There are many factors in the industry which make a worker unhappy and dejected. These factors may be unsatisfactory pay, non co-operation from fellow workers, ineffective supervisor, workers, ineffective supervisor, working conditions etc. Due to these factors employee looks around and finds

everybody being unkind to him. He is aggrieved and wants to ventilate his feelings and reactions. According to Dale Bench, "Grievance is any dissatisfaction or feeling of injustice in connection with one's employment situation that is brought to the attention of management. According to Keith Davis grievance is defined as any real or imagined feeling of personal injustice which an employee has concerning his employment relationship." Grievance represents a situation in which an employee feels that something unfavourable to him has happened or is going to happen.

It is clear from the above definition that grievance may be factual, imaginary or dignised (hidden) and it is problem whether expressed or not Grievance is a real or imaginary feelings arising out of a "grief which an employee may have in regard to his employment or working conditions.

Sources of Grievance

There are many causes of grievances among the workers. Some of the major sources of grievances may be as follows:

1. ***Working conditions:*** A large number of workers grievances are about the bad and unhealthy working conditions such as bad physical condition of workplace, non availability of proper tools, machines and equipment for doing the job, defective equipment, defective material, lack of safety measures, tight production standard etc.
2. ***Unsatisfactory Pay:*** Many grievance grow from low wages, salaries, fewer aliowance and lack of benefits.
3. ***Timing of the Job:*** Grievance may also arise due to timing of the job. Overtime payments and leave policy is also a source of grievance.
4. ***Ineffective Supervision:*** Ineffective supervisor fails to properly abide by administer labour contracts. They are not able to give proper and adequate counseling to workers and help them solve their problems. Autocratic leadership style of supervision is also a problem.
5. ***Personal factors:*** Narrow attitude of worker or management, over ambition and egoistic personality may also create grievances.
6. ***Lack of Career Planning:*** Lack of Employee development plan lack of role clearly and lack of career planning leads to grievances of employee.

SELF PREPARATORY QUESTIONS

Q.1 Define Social Security and scope of Social Security.

Q.2 Explain the social security measures available to workers in India under Workmen's Compensation Act.

Q.3 Discuss the importance of Social Security in India. Explain the role of Employee's State insurance scheme in this regard.

Q.4 Discuss the main features of the Maternity Benefit Act and its significance in providing security to pregnant woman.

Q.5 Write a short note on group life insurance.

CHAPTER 9: EMERGING HORIZONS IN HUMAN RESOURCE MANAGEMENT

— Manu Umesh

After reading this chapter students will be able to understand the concept of:

- *Future Scope of Human Resource Management*
- *Future Role of Personnel Manager*
- *Human Resource Information System*
- *Designing of Human Resource Information System (HRIS)*
- *Limitations of HRIS*
- *Personnel Inventory*
- *Workforce Diversity*
- *Voluntary Retirement Scheme*
- *Ex-Gratia Amount, Minimum Ex-gratia, Maximum Ex-gratia*

Future Scope of Human Resource Management

Over the recent years, significant changes have taken place in the nature and scope of human resource management. Its scope has been changed from labour relations to personnel management and recently to human resource development Human resource managers can't ignore such changes and they have to design and execute innovative mechanism of developing skill and competencies of human resources to prepare them to accept the emerging challenges. Some of these challenges may include:

1. Increase in automation and computerisation and rapid change in technology.
2. Since the education level has increased in the recent past and better educated and organised work force will demand greater discretion and autonomy at the work place. New leadership & supervisory techniques will also be required for professional employees.
3. Government has prepared legislations for personal policies and for the welfare safety of employee. In future private organisation will have to co-ordinate their labour welfare programmes with those of government.
4. In future the composition of work force will change drastically on account of easy access to better educational & employment opportunities scheduled caste and scheduled tribes, minority groups and womens would become on important source of manpower in future.
5. To establish and setting a good work quality standards a new work ethics must be prepared. Greater group cohesiveness is necessary and more emphasis is required on individuals.
6. Due to legislative presence and trade union movement, personal management will have to be more health & safety conscious in future.
7. More objective and result oriented systems of performance appraisal and performance linked compensation will have to be developed.
8. New and better policies will be required in future. Performance related compensation,

goal oriented training systems will have to be developed in future. MBO, team building, participative management & other techniques will be required in future.

Future Role of Personnel Manager

The role of personnel Manager in future will be as follows:

(i) The personnel manager should change himself with the changing environment. He himself has to devote more time to promote change rather than to maintain the status quo.

(ii) Personnel manger has to work about overall development of human resource in all respect.

(iii) Personnel manager will have to work more upon employee's welfare and social security.

(iv) The role of human resource management will be extended to career planning, career development, social justice, organisation development etc.

(v) A human resource manager has to work upon the training and research needs of the employees so that their knowledge & skills can be improved.

(vi) Personal manager has to administer the personnel policy in such a way that opportunity of improvement & growth can be searched.

(vii) Personnel manager will have to be expert in behavioural science. He will play a creative and development role.

(viii) Personal manager will have to use more of information technology for measurement of HRM duties and contributions.

Thus the job of personnel mangers will become more difficult and challenging in future. They will have to acquire new skills, values, attitudes to discharge their new responsibilities successfully. Personnel management will emerge as a well established, well respected and well rewarded occupation but it will depend upon how well it serves through continuous learning, research and advice. HR managers will require interpersonal skills, knowledge and skills in their specialized field, and he should be creative & imaginative.

According to Bergly and Slover, "the future manager will be better grounded in social science, world affairs, and the humanities in general. he will effectively integrate the techniques of information technology with the human resources available to him". The main challenge before the future personnel manager will be to create and manage the human resource system in tune with the more participative, result oriented, adaptive and humanistic organisation.

Human Resource Information System

Human Resource Information System (HRIS) is an integrated approach for acquiring, storing, analysing and controlling the flow of information throughout an organisation. In other words HRIS is a systematic way of storing data and information for each individual employee to aid planning, decision making and submitting of returns and reports to the external agencies. The system should be designed in such a way so as to provide information that is timely, accurate, concise, relevant and complete. It can make the decision making process more accurate.

The use of computer in the industry has increased tremendously and it will increase the efficiency level of human resource manager in their jobs of managing human resources. Modern organisation use computerised HRIS. A computerised HRIS is an information system that makes use of computer to monitor, control and influence the movement of human being from the time they join the organisation

till they separate from the organisation. A computerised HRIS according to S. Chandrasekhar, consist of the following sub-system:

1. ***Recruitment Information:*** It includes advertisement module, placement data bank, and applicant's profile recruitment data.
2. ***Personal Administration System:*** It includes personal records of each employee regarding leaves, transfers, promotion increment, etc.
3. ***Manpower Planning Information:*** It includes information that could help human resource mobilisation, career planning, succession planning and various inputs for skill development.
4. ***Training Information:*** It provides information for designing course material, arranging need based training and appraising the training programme.
5. ***Health Information System:*** It provides information for maintenance, health, safety and welfare of employees.
6. ***Appraisal Information:*** It deals with performance appraisal and merit rating information which serves as input for transfer promotion, increment, succession and career planning.
7. ***Payroll Information:*** It consists of information concerning wages, salaries, wage-incentives, allowance, perquisites, fringe benefits, deduction for provident fund etc.
8. ***Personal Research Information:*** It consists of all the data of historic and current data used for various types of analysis. It includes data about employee's turnover, absenteeism which may be used for different types of analysis to know and understand the employee better.

Advantages of Human Resource Information System

1. Storing the human resource data will be easier and cheap affairs so it reduces the cost.
2. Availability of timely and accurate information about human data.
3. Better analysis leading to more effective decision making.
4. Better ability to respond to environment.
5. Counseling and career planning become more meaningful.
6. Training programmes are made on the basis organisational goal.
7. Ability to respond quickly to the changing environment.
8. Reduction in duplication of data leads to reduction of cost.
9. Desired information is available at the right time to right person in a right format.
10. It provides security and secrecy for important and confidential data.

Designing of Human Resource Information System (HRIS)

Designing of an effective HRIS system in an important process because it connects all decisions making centers in an organisation. The steps involved in the development of a sound HRIS is given below:

1. ***Determination of Information need:*** Managers at different level needs different type of information. So identification of information becomes the first step in designing HRIS. It also involves definition of the problem, specification of objective and operational needs, work relationship, work pattern and their sequence. Feasibility study is done and its report is submitted.

2. ***System design:*** In this stage problem is described in details. Alternatives to meet the objectives are described and evaluated. Flow of information is structured in such a manner that it is economical and matches with the information needs of managers. HRIS is a part of Management Information System (MIS).
3. ***Testing and Implementation of the System:*** In this stage HRIS system is fitted in the organisational structure. In order to handle the system effectively, employees are given necessary skills through training programmes. The most difficult part of this phase is the merging of information system and the organisation structure.
4. ***System Monitoring and Evaluation:*** The feedback regarding the actual functioning of HRIS is must. Contribution of the system to the overall management of human resource is measured with the help of this gaps are identified and corrective steps are taken for smooth operation. The system is evaluated on a timely basis and any modification required in the system in the light of any changes in the environment both within the organisation and outside the organisation.

Limitations of HRIS

1. It is an expensive system to install.
2. For application of HRIS large scale computer literacy is required.
3. Merging the HRIS to the organisation structure is most difficult job because data provided by HRIS and information required by the manager may be different.
4. It requires continuous updating of the information.

Personnel Inventory

It includes basic information relating to the personnel and their background for human resource planning. These information may include name, age, sex, address, experience, skills etc. The information required for personnel inventory is collected from job applications and questionnaires filled by employees from time to time. What information is included in personnel inventory is depends upon its uses in the organisation. Table given below shows the data that could be recorded and stored in a computerised personnel inventory.

Table Data for Personnel Inventory System

1. ***Descriptive data:*** name, address, date of birth, marital status and other data that describe a person.
2. ***Skills inventory:*** a specialized application of descriptive data, such as skills, abilities, job experience and interests. These data may refer to period both before and after the employee is hired.
3. ***Organisational Status:*** date of hire, organisation location, job title and other job related data indicating where a person is situated and what work he is doing in the organisation.
4. ***Work history:*** a compilation of past organizational positions, performance and status changes, including rises and changes in location and budget centre. This information may be accumulated from the date of hire, but usually it includes only the most recent 15 to 20 lines of data, covering approximately two to five years of activity.
5. ***Performance Appraisal:*** Usually considered highly sensitive data; therefore, appraisal information and promotion potential are often coded.

6. ***Wage and salary:*** all information necessary for wage and salary and benefits administration, as well as that necessary for calculation of gross pay roll and gross-to-net pay.
7. ***Labour reporting data:*** me keeping, absence, production and labour cost information, work location; supervisor to whom charges and so forth.
8. ***Variation Scheduling and control,*** health and safety, education and training information, as well as grievances, company transportation, and other data needed to support special programmes.
9. ***Recruitment:*** applications in process, applications on file, status of recruiting activity, data about schools, and follow-up information.
10. ***Special data banks for research,*** such as attitude surveys, manpower development, organization planning and selection studies, and manpower market analysis.
11. Some firms are also developing non-computerize data banks containing information about the external environment that relates to manpower acquisition and planning.

Source: E.J. Morrison. "Developing Computer-Based Employee Information System" AMA Research Studies 99 (American Management Association Inc., 1961), pp. 28-29.

Workforce Diversity

Now a days work force in Indian organisation is heterogeneous in nature. Workforce diversity is deepening and spreading day by day. It is more diverse because of inclusion of workers from different groups such as women, minority-group members, physically disabled persons, retired defense personnel etc. with the increasing number of women entering into the workforce due to factors like economic needs, greater equality of sexes, education and so on and occupying important positions at the middle and top levels in the organisations so additional pressure of managing a different set of problems at the workplace have arisen.

Earlier it was assumed that people who were different would somehow assimilate with majority group. But it is now realised that employees don't set aside their values, beliefs, lifestyles, preference etc. when they come to work. For example increasing in the number of women in the workforce has been necessitating the implementation of more flexible work schedule, child care facilities, maternity leaves etc.

Thus, workforce diversity has significant implications for the management. Now a days manager do not treat each group of workers alike but following such policies so as to encourage creativity, improve productivity, reduce labour turnover and avoid any sort of discrimination. If workforce diversity should be managed properly there would be better communication, better human relations and congenial work culture in the organisation.

Voluntary Retirement Scheme

Voluntary Retirement Scheme is also known as Retirement Pension Scheme. It is benefit granted to the scheme members that having met the qualifying conditions cease to be civil servants/employees.

Objective:-

(i) To active optimum human resource utilisation.
(ii) To optimise return on investment.
(iii) In implementing the VRS scheme, management shall ensure that it is extended primarily to such employees whose services can be dispersed with without detriment to the company.

Care shall be exercised to ensure that highly skilled qualified workers and staff are not given the option.

Ex-Gratia Amount

The employees opting for VRS shall be entitles to receive an ex-gratia amount which will be calculated as:-

Note:-

(i) Total number of years of completed service and remaining service shall not exceed 33.

(ii) No weightage shall be given for any additional service.

(iii) For any part of a year, the number of days will be worked out on the basis of 365 days in a year.

Minimum Ex-gratia

The amount of ex-gratia shall be subject to a minimum of:

(i) Rs. 25,000 or

(ii) 250 days emoluments

Whichever is higher

Emoluments mean basic pay plus dearness allowance drawn immediately before retirement.

Maximum Ex-gratia

The amount of ex-gratia shall not exceed the following:

(Basic Pay + DA at the prevailing level) × No. of months of service left before superannuation (including part of the month)

The amount of ex-gratia will be paid in lump-sum.

SELF PREPARATORY QUESTIONS

Q.1 Describe the future of personnel management in India.

Q.2 Examine the future role of personnel managers.

Q.3 Explain the concept & objectives of Human Resource Information System.

Q.4 Describe the various sub-system of Computerised Human Resource Information System.

Q.5 What is the procedure to design Human Resource Information System.

Q.6 How can Human Resource Information System contribute to the effective management of human resources? Discuss.

Q.7 What is work force diversity? How can work force diversity be managed effectively?

Q.8 Write a short note on:

a) Voluntary Retirement Scheme

b) Downsizing