Human Resource Management

M.Com. (Final)

Paper-22

Directorate of Distance Education
Maharshi Dayanand University, Rohtak

Human Resource Management

Paper-22

M.Com (F)

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ROHTAK – 124 001

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Contents

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Paper - 22

M. Marks : 100
Time : 3 Hrs.

Note: *There will be three sections of the question paper. In section A there will be 10 short answer questions of 2 marks each. All questions of this section are compulsory. Section B will comprise of 10 questions of 5 marks each out of which candidates are required to attempt any seven questions. Section C will be having 5 questions of 15 marks each out of which candidates are required to attempt any three questions. The examiner will set the questions in all the three sections by covering the entire syllabus of the concerned subject.*

Course Inputs

Unit-1 **An Introduction to Human Resource Management:**

Human Resource Management - An Introduction, Nature, Features, Scope, Objectives and importance of Human Resource Management, Functions of Human Resource Management - Managerial and Operative Functions; Qualification and Qualities of Human Resource Manager in an Organisation; Evolution and growth of Human Resource Management in India; Reasons for the growth of Human Resource Management in India; Future of Human Resource Management.

Unit-2 **Recruitment:** Selection, Training and Wages; Recruitment Concept, Source\ Methods and Techniques of manpower supply; Characteristics of a good recruitment policy and principles of recruitment. Selection: Concept and Procedure.

Training: Concept, Need and Importance of Training. Methods of Training - On the Job and Off the Job Training. Methods and Principles of Training.

Wages: Meaning, Objectives and Theories of Wages; Methods of Wage Payment - Time Wage and Piece Wage methods; Concepts of Wage Fair, Minimum and Living Wages, Factors for determining wage structure of an organisation and essentials of satisfactory wage policy. Wage Incentives; Concept, Need and importance of incentives, special incentives - Profit Sharing and Co-partnership, essentials of ideal incentive system.

Unit-3 **Trade Unions and Collective Bargaining:** Trade Unions; Concept, Need, Functions and Objectives of trade-unions, Origin, Growth and development of trade-unions in India, Difficulties and Principal drawbacks of trade-union movement in India.

Collective - Bargaining: Concept, Nature Scope and functions of Collective Bargaining in India. Essentials for the success of collective Bargaining in India.

Unit-4 **Industrial Relations and Industrial Unrest:** Industrial Relations: Concept, Importance and Objectives of industrial relations, Contents of Industrial relations, Participants of industrial relations, Requirement of a good industrial relation Programme.

Industrial Unrest: Meaning, forms and Causes of industrial disputes, Impact of industrial dispute on the Economy, Preventive and curative methods and agencies for reconciliation of industrial disputes.

Unit-5 **Worker's Participation:** Morale and Productivity of employees: Worker's Participation in Management (W.P.M): Concept, Need, Objectives and Forms of W.P.M. Pre-requisites of effective participation, Evaluation of the scheme of W.P.M. Essential features, Functions and progress of Joint Management Councils in India, Causes of failure of Joint-Management Councils. Employee Morale and **Productivity:** Concept, Nature and significance of Morale, Determinants of morale, Measurement of morale; Concept and Significance of productivity; Measurement of productivity, Measure to improve productivity, Relationship of morale and productivity.

Chapter 1
Human Resource Management

Introduction

Human Resource Management (HRM) has emerged as an exciting new approach to people management since about the middle of the 1980's, pushing personnel management and industrial relations steadily into the background. Books and journals in fashion, university curricula in demand, and practitioners commanding fancy salaries and rising careers have almost by definition to be in HRM. In contrast, there are no takers not in competitive market economies, in any case for rusty trench warriors putting out industrial relations fires and clinching collective agreements, courses of study that train there eternal firefighters, and research projects chronicling there deeds. The world of people management appears to have transformed so fundamentally and irreversibly that the transformation is often being described as a paradigm shift.

HRM has many different connotations depending on who is using it and for what purpose. Some use it to mean the management of people regardless of the specific style or strategy adopted. In this sense, HRM is an unpretentious substitute for industrial relations, employee relations, or personnel management. Others have preferred HRM to older appellations because of its contemporary ring. Industrial enterprises have renamed personnel departments to give them respectability and authors of ancient text books have renamed new editions to boost sales, although nothing have changed except the name.

The HRM is a distinctive approach to employment management which seeks to achieve competitive advantage through the strategic deployment of a highly committed and capable workforce, using an integrated array of cultural, structural and personnel techniques.

HRM has its origins in the United States. It is American, optimistic, apparently humanistic and also specifically simple. In short, it has rediscovered elements of the American dream (Guest 1990:379). The transformation of American industrial relations began in the 1980s as a direct response to external pressures. The economic supremacy of the US built on mass production, economies of scale and Taylorian division of labour which counted on close supervision of deskilled work to deliver productivity began to crumble in the face of competition, first from Japan and subsequently from the countries of the Pacific rim.

It is rather difficult to say spontaneously what management means, though we have studied a course in Management. But it is necessary to recall what management is before studying Human Resource Management (HRM). Management has been defined by Mary Parker Follett as, "the art of getting things done through people." But it is felt that management is much more than what is said in this definition. Management is further defined as, "... that field of human behaviour in which managers plan, organise, staff, direct and control human, physical and financial resources in an organised effort, in order to achieve desired individual and group objectives with optimum efficiency and effectiveness." It is clear from this definition that management is concerned with the accomplishment of objectives by utilising physical and financial resources through the efforts of human resources. Thus, human resources is a crucial sub-system in the process of management. The term human resources is quite popular in India with the institution of 'Ministry of Human Resources Development' in the Union Cabinet. But most people may not know what exactly the term human resources means.

According to Leon C. Megginson, the term human resources can be thought of as, "the total knowledge, skills, creative abilities, talents and aptitudes of an organisation's workforce, as well as the value, attitudes and beliefs of the individuals involved." The term human resource can also be explained in the sense that it is resource like any natural resource. It does mean that the management can get and use the skill, knowledge, ability etc., through the development of skills, tapping and utilising them again and again. Thus, it is a long-term perspective whereas personnel is a short-term perspective. Human resources are also regarded as human factor, human asset, human capital and the like. The terms labour and manpower had been used widely denoting mostly the physical abilities and capacities of employees.

The term personnel had been used widely in the recent past to denote persons employed in any services. Thus, this term denotes the employee as a whole but it does not clearly denote various components of human resources like skill, knowledge, values etc.

Personnel vs. Human Resources at Different Levels

The term human resources at the macro level spells the total sum of all the components (like skill, and creative ability) possessed by all the people (employed, self-employed, unemployed, employers, owners etc) whereas the term personnel even at the macro level is limited to only employees of all organisations. Human resources even at the organisational level includes all the component resources of all employees from rank and file to top management level, all the employers like managing director, board of directors, persons who work on honorary basis, experts drawn from various organisations, and those people (particularly family members) influencing the human resources of the former group. In short it includes the resources of all the people who contribute their services to the attainment of organisational goals and others who contribute their services in order to create hurdles in the attainment of organisational goals. Further, human resources include human values, ethos and the like (Fig.1.1).

Thus, the term human resources is much more broader compared to the term personnel either at the components level or in coverage (at organisational level) or even at the macro level. As such human resources management at organisational level does mean management of the dynamic components (resources) of all the people (owner or employed or directly or indirectly related) at all levels in the organisational hierarchy round the clock and throughout the year. Personnel vs. HRM is presented in Exhibit 1.1.

EXHIBIT 1.1: Personnel Vs. Human Resources Management

	Personnel Management	Human Resource Management
1.	Personnel means persons employed. Personnel management is the management of people employed.	Human resource management is the management of employees' skills, Knowledge, abilities, talents, aptitudes, creative abilities etc.
2.	Employee in personnel management is mostly treated as an economic man as his services are exchanged for wage/salary.	Employee in human resource management is treated not only as economic man but also as social and psychological man. Thus, the complete man is viewed under this approach.
3.	Employee is viewed as a commodity or tool or equipment which can be purchased and used.	Employee is treated as a resource.
4.	Employees are treated as cost centre and therefore management controls the cost of labour.	Employees are treated as profit centre and therefore, invests capital for human resource development and future utility.
5.	Employees are used mostly for organisational benefit.	Employees are used for the multiple mutual benefit of the organisation, employees and their family members

In view of these changes, in recent years, the Departments of Commerce, Schools of Management Studies, Department of Personnel Management in various Universities have begun calling this academic area as Human Resources Management (HRM). Still, this process is in the state of transition. Hence, the terms personnel and human resources are used interchangeably in this book, though the book is entitled as Human Resources Management.

Nature and Scope of Human Resources

People in any organisation manifest themselves, not only through individual sections but also through group interactions. When individuals come to work place, they come with not only technical skill, knowledge etc., but also with their personal feelings, preceptor, desires, motives, attitude, values etc. Therefore, employee management in an organisation does mean management of not only technical skills but also other factors of the human resources.

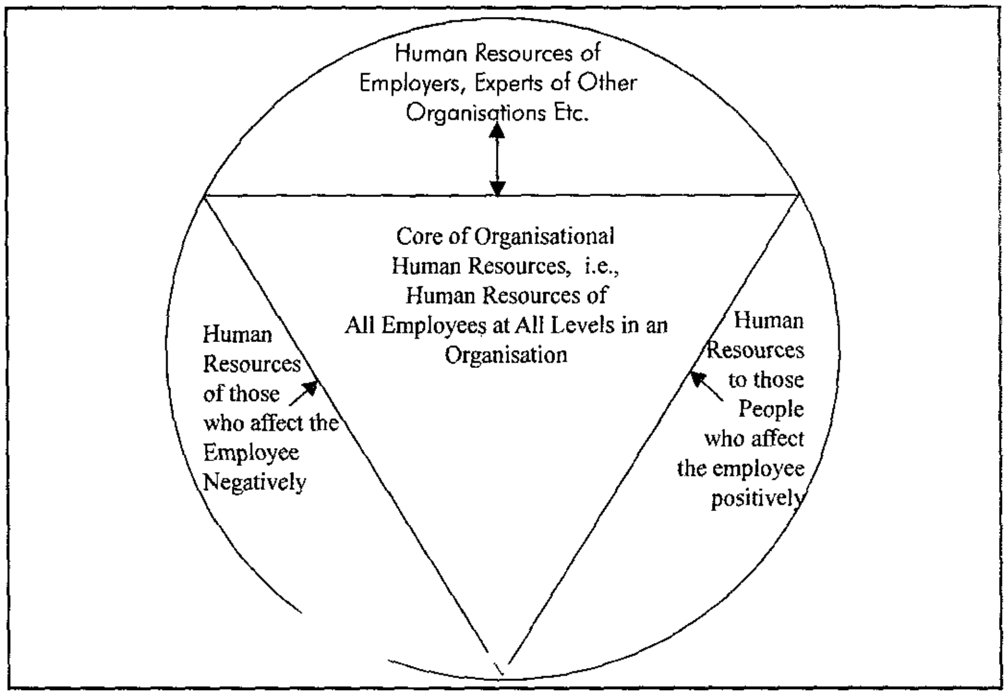


Figure 1.1: Scope of Human Resources at the Organisational Level

Complex Dynamism

A close observation of employees reveals that they are complex begins, i.e., (i) physiological, (ii) psychological, (iii) sociological, and (iv) ethical beings. The proportions or intensities of these dimensions of the human factor in employment may differ from one situation to another but the fact remains that these are basic things of the human factors is organisations. Undoubtedly the physical and mental attributes of human resources are highly pertinent to organisational performance and productivity. Further it is important to note that the employees in any organisation are not to be viewed as static individual since the quantity as well as quality of human resources ar modified by such environmental factors as education, training, development etc. Hence, the handling of human resource is entirely different from that of other resources. If human factor is utilised, it may even prove a dynamic motive force for running an organisation. Otherwise, it becomes a passive and destructive force.

A Social System

Human resources management is relatively new and developed as a part of management (concerned with the management of human resources). In its simple terms, personnel management is the task of dealing with human relationships, moulding and developing the human behaviour and attitude towards the job and organisational requirements. The personnel manager involves himself in administering a social system. In this process, the manager has to see that the economic satisfaction for a reasonable livelihood, the social satisfaction of working together as members of a group and individual, job satisfaction of a worker are attained.

An organisation may be a manufacturing company, a banking undertaking, an insurance corporation, a transportation unit, an educational organisation, a hospital, a court, a club, a religious or a social unit. The nature and significance of personnel management have undergone rapid changes recognising the people not as a cost centre but as a profit centre. Consequently the modern personnel manager is concerned not only with the organisation to provide able and willing workforce to attain company goals, but also with the employees for fulfillment of economic, social and psychological needs and with general society, which demands contributing to minimisation of socio-economic evils and maximisation of social and economic welfare of its members particularly the deprived and weaker sections. The role of the personnel manager has also been expanded, in ascertaining and accommodating various needs of the people.

A Challenging Task

The personnel manager plays a crucial role in understanding the changing needs of the organisation and society. Further he faces some challenging tasks in attaining the employee, organisational and societal objectives with the available resources. In addition to it the growing strength of trade unions, increasing educational standards etc., further complicate the role of personnel manager. Hence, the modern personnel manager should equip himself with good knowledge of disciplines, viz., Economics, Commerce, Management, Sociology, Psychology, Engineering, Technology and Law.

Further it is said that all these disciplines and Human Resources Management interact mutually with each other. In view of these challenges and change in the scope of personnel management, there has been a wide change in the term denoting personnel management. The important phases among them are labour management, personnel management and human resources management. In fact, the meaning of the personnel management has also been undergoing changes.

Having discussed the concept of management, personnel and human resources and the nature of human resources, we now study the meaning and definition of the term human resources management.

Meaning of Human Resource Management

Different terms are used to denote human resource management. They are: labour management, labour administration, labour-management relations, employee-employer relations, industrial relations, personnel administration, personnel management, human capital management, human asset management, human resources management and the like. Though these terms can be differentiated widely, the basic nature of distinction lies in the scope or coverage and evolutionary state. In simple sense, human resources management means employing people, developing their resources, utilising, maintaining and compensating their services in tune with the job and organisational requirements.

Personnel management as defined by the Institute of Personnel Management in U.K. and subsequently adopted by Indian Institute of Personnel Management is as follows:

"Personnel management is a responsibility of all those who manage people as well as being a description of the work of those who are employed as specialists. It is that part of management which is concerned with people at work and with their relationships within an enterprise. It applies not only to industry and commerce but to all fields of employment."

This definition can be summarised as follows:

(i) Personnel management is a responsibility of all line managers in an organisation, viz., general manager, production manager, marketing manager, finance manager, etc., and it is a staff function, i.e., it is the function of personnel manager who is appointed as a specialist. Thus, all managers in the organisations are vitally concerned with personnel management as they must achieve organisational goals through other people's efforts.

(ii) Personnel management is a part of management. This part is concerned with the people and their relationship within an organisation.

(iii) This applies to all organisations in the universe, i.e., economic, social, political, religious etc.

Michael J. Jucius defined Personnel Management as "the field of management which has to do with planning, organizing, directing and controlling the functions of procuring, developing, maintaining and utilising a labour force, such that the -

(a) objectives for which the company is established are attained economically and effectively, (b) Objectives of all levels of personnel are served to the highest possible degree, (c) Objectives of society are duly considered and served." Human Resource Management (HRM) can be defined as managing (planning, organizing, directing and controlling) the functions of employing, developing and compensating human resources resulting in the creating and development of human relations with a view to contribute proportionately (due to them) to the organisational, individual and social goals.

Summary of Definitions

The analysis of definitions on personnel management can be summarised as follows:

- Personnel management is concerned with employees both as individuals and as group in attaining goals. It is also concerned with behaviour, emotional and social aspects of personnel.
- It is concerned with the development of human resources, i.e., knowledge, capability, skill, potentialities and attaining and achieving employee goals, including job satisfaction.
- Personnel management covers all levels (low, middle, and top) and categories (unskilled, skilled, technical, professional, clerical and managerial) of employees. It covers both organised and unorganised employees.
- It applies to the employees in all types of organisations in the world (industry, trade, service, commerce, economic, social, religious, political and government departments). Thus, it is common in all types of organisations.
- Personnel management is a continuous and never ending process.
- It aims at attaining the goals of organisation, individual and society in an integrated approach. Organisation goals may include survival, growth and development in addition to profitability, productivity, innovation, excellence etc. Individual employee-goals consists of job satisfaction, job security, high salary, attractive fringe benefits, challenging work, pride, status, recognition, opportunity for development etc. Goals of the society include equal employment opportunity, protecting the disadvantaged sections and physically handicapped, minimisation of inequalities in the distribution of income by minimizing wage differentials, developing the society in general by organizing developmental activities etc.
- Personnel management is a responsibility of all line managers and a function of staff managers in an organisation.
- It is concerned mostly with managing human resources at work.
- Human resources management is the central sub-system of an organisation and it permeates all type of functional management, viz., production management, marketing management and financial management.
- Personnel management aims at securing unreserved co-operation from all employees in order to attain predetermined goals.

Further the analysis shows that, most of the definitions are oriented towards the functions and objectives of personnel management. As such, the detailed discussion about the functions and objectives of HRM will help us to understand the term HRM more clearly and objectively.

Significance of Human Resource Management (HRM)

Human resources play a crucial role in the development process of modern economics. Arthur Lewis observed "there are great differences in development between countries which seem to have roughly equal resources, so it is necessary to enquire into the difference in human behaviour." It is often felt that, though the exploitation of natural resources, availability of physical and financial resources and international aid play prominent roles in the growth of modern economies, none of these factors is more significant than efficient and committed manpower. It is in fact, said that all development comes from the human mind.

Human Resource in the Nation's Well-being

A nation with abundance of physical resources will not benefit itself unless human resources make use of them. In fact human resources are solely responsible for making use of national resources and for the transformation of traditional economies into the modern and industrial economies. Lack of organisation of human resources is largely responsible for the backwardness of the nation. Countries are underdeveloped because their people are underdeveloped. In essence, "the difference in the level of economic development of the countries is largely a reflection of the differences in quality of their human resources..." The key element in this proposition is that the values, attitudes, general orientation and quality of the people of a country determine its economic development. The shift from manufacturing to service and the increasing pace of technological change are making human resources the ingredient to the nation's well-being and growth. And in a service-oriented industry like banks, railways the quality, quantity and utilisation of human resources become all the more important.

Man vis-a vis Machine

Most of the problems in organisational sections are human and social rather than physical, technical or economic. No industry can be rendered efficient so long as the basic fact remains unrecognized that it is principally human. It is not a mass of machines and technical processes but a body of men. Its body is not an intricate maze of mechanical devices but a magnified nervous system.

Personnel Management and General Management

Management of an organisation in modern economies is not only complex and sophisticated but it is also vital influencing the economic growth of a country. Its efficiency determines the property and well-being of the people of the nation. "Perhaps today there is no other latest activity which is an important and dynamic as management - the oldest of arts and newest of profession." One of the fundamental areas of management is the management of human resources. Thus, "in the management of four Ms - Money, Materials, Machine and Men - it is needless to belabour the obvious point that, considering the nature of man, the management of men ... ' is not only fundamental but also dynamic and challenging.

One of the fundamental tasks of management is to manage human resources, in the service of the economic objectives of the enterprise. Successful management depends not solely, but significantly upon the ability to predict and control human behaviour. Among other things, if a company is economically successful, it means, the management has been able to manage human resources effectively. The human resources are "the active force of industrialisation, and strategies for development should concentrate particularly on their enhancement."

Management of personnel includes guiding human resources into a dynamic organisation that attains its objectives with a high degree of morale and to the satisfaction of those concerned with it. Earnest Dale views management is the process of getting things done through people. In fact it is said that all management is personnel management as it deals with human beings. Although there are different functional areas of management like production management, material management, all these are to be performed by personnel. And, though there is a separate personnel manager, all managers have to manage the personnel of their respective functions / departments to get effective results through and with the people. In addition, line managers are responsible for management of personnel of their respective departments / units. Thus, all executives must unavoidably be personnel managers. In short all managers are personnel managers and all management is essentially personnel management.

Human Resources System is a Central Sub-system

Human resources system in an organisation is not only unique subsystem but a principal and central sub-system and it operates upon and controls all other sub-systems (as shown in Figure 1.2). Thus, in the words of Wendell L. French, "Personnel management is a major pervasive sub-system of all organisations." Whatever in the environment affects the organisation like economic, social, cultural, legal, political, historic, competitors,

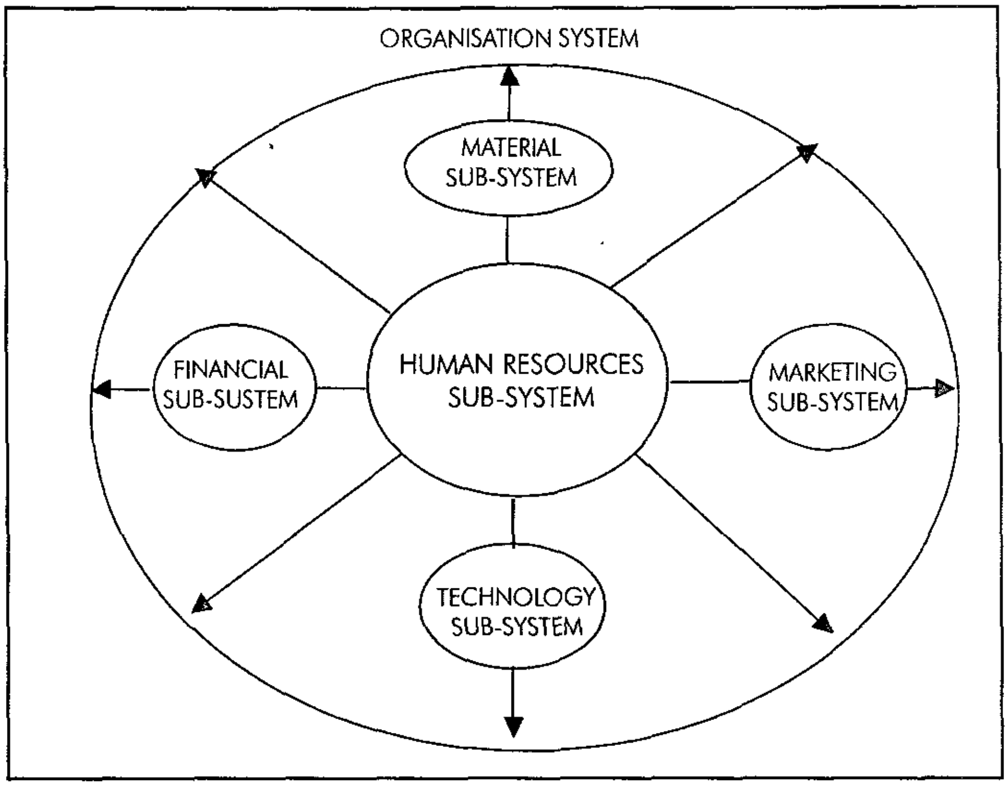


Figure 1.2: Human Resources as Central Sub-system in an Organisation.

consumers etc., as a whole also effects the personnel system. The resources system receives inputs from the organisation in the form of objectives and it results in individual and organisational performance that may be viewed as individual and organisational output. Both the personnel system and the entire organisations operated under the same cultural, economic, social, legal, political and other constraints. Hence, greater the effectiveness and productivity of personnel, the more will be the effective functioning of an organisation. Peter F. Drucker has rightly observed the significance of personnel as, managers are fond of repeating the truism that the only real difference between one organisation and the other is the performance of people. In essence the survival, development and performance of an organisation - although not solely but heavily - depend on the quality of personnel.

Human Resources Accounting

One important development arising out of the recognition of crucial importance of personnel in organisations, is the Human Resources Accounting. During the early 1960s, behavioural scientists attacked conventional accounting practice for its failure to value the human resources of an organisation along with its money and material resources. The potential and promise of human resources accounting have been thus recognised by the accountants. Human Resources are identified as the value of the production capacity of a firm's human organisation, and the value of its customer's goodwill. Eric Flanholtz defines human resources accounting as, "accounting for people as organisational resources. Human Resources Accounting is measurement of the cost and value of people for organisation." It is clear from this definition that, human resources accounting is useful to both general managers and personnel managers since human resources information influences the planning and controlling functions of management and various operative functions of personnel management. It helps the management to utilise human resources most economically and efficiently. It also helps the managers in making sound decisions in personnel matters by providing required information. Thus, it is very useful control technique.

Human Resource and Market Economy

As stated earlier, the three important areas of human resources are skill, ability and knowledge. Knowledge plays most vital role in the modern industry as rail road played its role during the 19th century business and as assembly line played its role during the 20th Century. According to P.F.Durcker, "knowledge is the only meaningful resource today." All other resources flow freely across borders.

Knowledge and Competitive Advantage

Modern business has been undergoing changes at a fast rate due to changes in technology, liberalisation of economies etc. Major changes in business and significance of knowledge are presented in Exhibit 1.1. The changes in the business resulted in severe competition. The business should have knowledgeable employees to have competitive advantage over the competitors. In the words of Thaygarajan, Managing Director, Glaxo, "organisations that have world class ambitions will need to nurture knowledge workers." As Adi B. Godrej, Chief Executive Officer, Godrej soaps puts it, "all corporate strengths are dependent on people." Fig. 1.4 presents the knowledge imperative.

Products and Human Resources

Many companies complete based on the strength of their products. These companies have to use people as the sourcespring for winning concepts. In fact, product improvements are generated by people, creative and innovative products and services can be developed and modified only through intensive and planning human efforts. A successful product is developed by using knowledge as a core competence of the company.

EXHIBIT 1.1: Major Changes in Business and Significance of Knowledge

Major Changes in Business	Significance of Knowledge
* Free movement of capital.	* Continuous innovation is possible only with knowledgeable employees.
* Easy availability of Technology.	* Knowledge only can generate originality of service.
* Free Information flow. through knowledge.	* Customer needs can be anticipated
* Globalisation and emphasis on Quality.	* Organisational capabilities can be Leveraged through knowledge.
* Businesses are becoming service-oriented	* Knowledge is the only core competence for coping with change.

Source: Adapted form "The New People Economy," Business Today, January 7-21, 1996.

Production and Human Resources

The hi-tech industry dominated the shopfloor. The role of the people in today's production process is crucial.

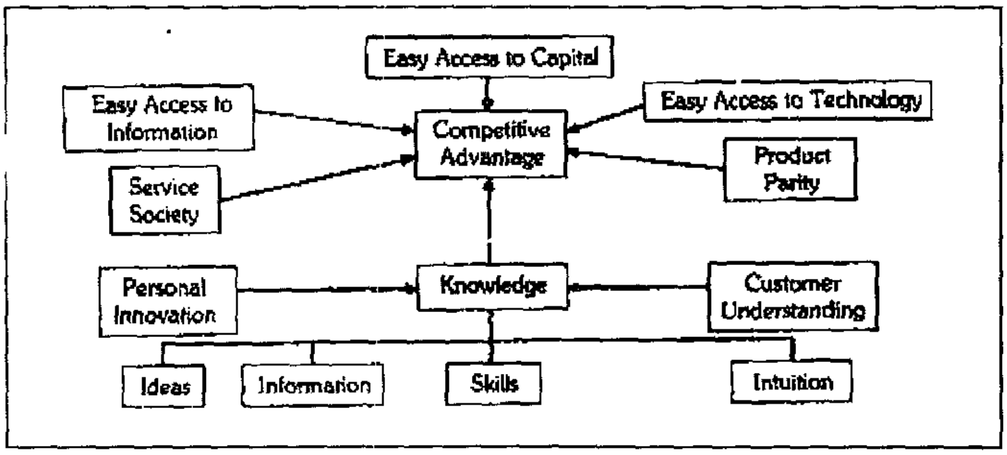


Figure 1.3: The Knowledge Imperative.

Production practices in today's industry are assigning the total work to teams of workers and empowering them. The empowered teams produce the qualitative products. The knowledgeable workers with the help of advanced technology improve the productivity beyond the normal levels. According to Aspi Balsara, CEO of Balsara Hygiene, "easy access to technology has made people the differentiating factor in today's environment."

Marketing and Human Resources

Companies are forced to improve the quality of products, quality of pre-sales and post-sales service, customer-producer interface and the like. Added to this, service sector has been enlarging its scope in the global economy. As Mike Khanna, CEO, Hindustan Thompson Associates puts it, "it is the rising demand from customers that is making people increasingly important."

Management Techniques and Human Resources

The 21st century business houses realise that their distinctive competencies lie not in particularly products, or technologies but in distinctive expertise and knowledge pool and skills of their people. Reengineered processes will not bring improvements unless the top managements ensure that their people's mindsets are also reengineered. Therefore, successful management techniques are focusing directly on people.

Organisational Structure and Human Resources

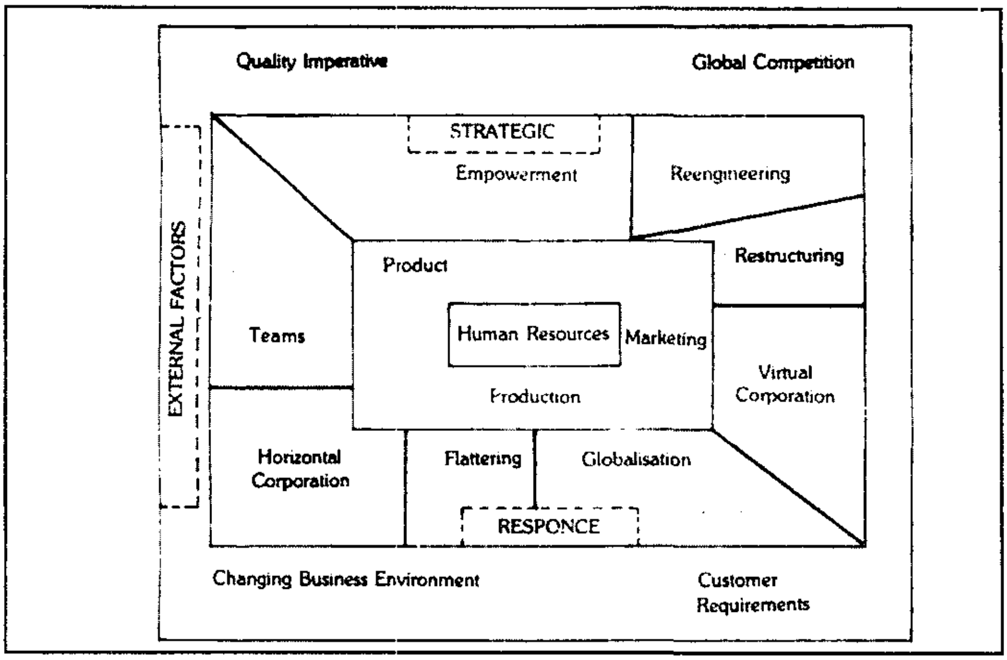
The modern structure is a pattern for deployment of people. The objective of structuring of modern organisations is to make the best possible use not only of technology, finance, or systems but also of people. Companies, in order to concentrate on the customer, are dismantling vertically functional departments and replacing them with horizontal cross functional and process-centric empowered teams. The emphasis is on resourcefulness, initiative autonomy and responsibility of the process-owners.

This analysis indicates that human resources are crucial in all operations (Exhibit 1.2). To reach the innovative frontiers of business, human resources of superior caliber and understanding are necessarily. Such human resources are essentially, an important asset of the top management. Fig.1.5 presents the significance of Human Resources in the modern business.

EXHIBIT 1.2: Human Resources and Operations

Crucial Role	Operations
People provide knowledge to organisations.	Products design is an outcome of sustained personal innovation.
People spread knowledge across the company.	Production is the result of teamwork applied to technology.
People convert knowledge into efficient action.	Marketing is the sum of people devised service added to products.
	Total Quality Management is the Application of human. Intelligence to improve processes.

Source: Sundeep Khanna, "The New People Economy," Business Today, January 7-21, 1996.



Source: Sundeep Khanna, op. cit.

Figure 1.5: Significance of Human Resources in the Modern Business

Environmental Influence

Personnel manager can't perform his job in a vacuum as a number of environmental factors affect the HRM. In fact, these factors influence the organisation through human resources. The term environment in human resources management has reference to the totality of all factors, which influence both the organisation and HRM sub-system. The influence of environment on HRM is shown in Fig. 1.6. The environment furnishes are the macro context and the organisation is the micro unit. The external environment is comprised of those factors which affect an organisation's human resources from outside the organisation. Important among them are: economic, social, political, Governmental and legal, technological, manpower in the country, tradition and culture, customers, other organisations and trade unions in other organisations. Each of these external factors separately or in combination can influence the HRM function of any organisation. Further, changes in these factors make the personnel manager's job a challenging one.

The internal environment also affects the job of a personnel manager. The internal environmental factors include organisation objectives, policies, organisational structure, the functional areas of the organisation with which the personnel manager works continuously like finance, marketing and production. Impact of internal environmental factors is profound as they frequently and closely interact with HRM function in an organisation. For instance, the objectives of HRM are formulated based on the organisational objectives. Jobs are designed and analysed based on the organisational structure. The personnel manager works closely with other functional (line) managers in solving their personnel problems through counselling, advising, providing information etc. The levels of wage and salary, various allowances incentive compensation etc., are heavily influenced by the level of finance and success of marketing functions. Most of the personnel problems are linked with the production function of an organisation. Thus, the internal environment of an organisation influences heavily the HRM.

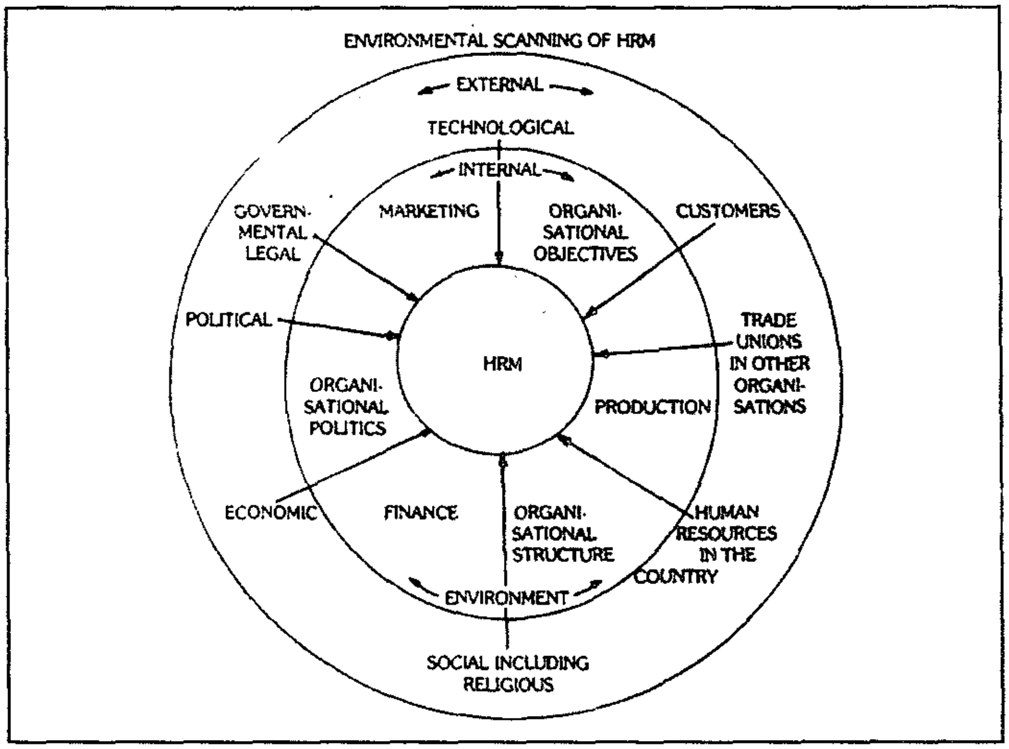


Figure 1.6: Environmental Scanning of HRM

The influence of external environment on HRM is equally important, though the severity is comparatively less. People are essentially self-managing. In other words while other resources are managed by people, personnel are managed by themselves. People themselves decide about the nature, time and place of their employment. And people react to the changing conditions and to the techniques of management unlike money, material and machine. Further in the present day industries, where the principles of democracy influence the management of labour, the relationship between employers and employees is conceived of as a "partnership in a constructive endeavour to promote the satisfaction of the economic needs of the community in the best possible manner."

But, the changes in the external environment of an enterprise has a profound impact on the personnel. These changes include technological obsolescence, cultural and social changes in the policies of the Government, politics and the like. With the result, the work-environment changes thereby affecting their productivity level. It is often said these peculiarities and changes complicated the task of personnel management. Modern managers face new, bewildering, and often contradictory ideas and situations.

Further, numbers of impressive changes have taken place in the level, aspiration, values and position requirement of human resources. These are due to changes in technological innovations, more moral education, demands of the Government trends in the employees roles, changes in the values of workforce, demands of employers, changes in structure of employment etc.

1. **Technological Factors:** Just as necessity is the mother of invention, competition and a host of other reasons are responsible for the rapid technological changes and innovations. In consequence of these changes, technical personnel, skilled workers and machine operators are increasingly required while the demand for other categories of employees has declined. But it is found that the supply of former category of employees has dwindled in relation to the demand for the same. Hence, procurement of skilled employees and their increase in numbers to match the changing job requirements has become a complicated task. In addition, not only new organisational relationships and different motivational techniques to satisfy the changed relationships but also to retain technically skilled and efficient personnel will be required.

2. **Human Resource in the Country:** The structure, values and the level of education of human resources in the country influence much the HRM function of any organisation. The influence of manpower in the country can be studied through the changes in structure of employment.

   (a) *Change in the Structure of Employment:* Structure of employment in an organisation changes with the entrance of workforce with different background (social, economic, region, community, sex, religion, traditions, culture etc.). There has been a significant change in the structure of employment with the entry of (a) candidates belonging to scheduled caste, scheduled tribe and backward communities, thanks to government's reservation policy, and with (b) more female employees, due to increased career orientation among women to the suitability of women for certain jobs and to women becoming more acclimatized to the working climate and higher level commitment. Organisational workforce is composed of people from different regions, mostly due to increased transportation facilities and mobile character of people. Further, technological revolution has brought occupational mobility. These changes in workforce have naturally complicated the task of HRM as the personnel manager has to deal with the employees with different backgrounds.

   (b) *Changes in Employee Role and their Values:* It was the opinion of the management that it was the boss and employees had to follow obediently management's decision. But gradually, this relationship has been replaced by the relationship in which employees and management are partners in the organisations.

   Further, changing structure of the workforce has led to the introduction of new values in organisations. Among these are moves toward-(a) emphasis on quality of life rather than quantity; (b) equity and justice for the employees over economic efficiency; (c) pluralism and diversity over uniformity and centralism; (d) participation over authority; (e) personal convictions over dogma, and (f) the individual over the organisation. Alienation from the job, increasing counter-productive behaviour, rising expectations and changing ideas of employees are some of the other factors responsible for the changing values and roles of human force. Consequently it has become imperative for the management to provide various fringe benefits to improve morale, to introduce negotiating machinery to redress grievance; to encourage employee participation in decision making and the like to pave the way for industrial democracy to meet the situations of workforce.

   (c) *Level of Education:* Workers have been entering the organisations with increased level of formal education in recent year. Increased formal education led to the changes in attitude of employees. The well educated employees always challenge and question the management's decisions and want voice in the company's affairs affective their interest. "As the base of education broadens, management must plan to deal with employees on a higher plane of logical interaction." Thus, management of well educated employees is a problem to the organisation though they make valuable contributio.

3. **Changing Demand of Employers:** Changes always are not on the side of employees. Organisations also undergo changes and consequently their demands on employees will also change. The technological revolution and neck-to-neck marketing competition of most of the organisations demand that the existing employees adopt to the ever changing work situations and learn new skills, knowledge etc., to cope up with the new changes.

4. **Legal and Governmental Factors:** Government had neither time nor interest to spare for the problems pertaining to labour arising in industry till the end of 1940s. But the need for Government interference arose out of the belief that Government is the custodian of industrial and economic activities. The various reasons like problems of trade union movement, failure of many employers to deal fairly with workers, non-fulfillment of plan targets and the like encouraged the Governments to intervene in human resources management and to enact various labour legislation. Consequently the Government has imposed the complex web of rules and relations on the employment policy of the organisations by reserving certain number of jobs of all categories to

certain sections of the community. Hence, the management cannot manage the human resources unilaterally as it used to do, because it has to abide by legislations and rules and regulations imposed by the Government.

One of the most important external factor that affects HRM is legal environment, i.e. awareness of legislations enacted by the government at the centre and the States. The important legislation enacted in India affecting HRM are: Factories Act, 1948, Trade Union Act, 1926, The payment of Wages Act, 1936, The Minimum Wages Act, 1948, The Employees State Insurance Act, 1948, Workmen's Compensation Act, 1923, The Payment of Bonus Act, 1965, The Industrial Employment (Standing Orders) Act, 1946, The Employment Exchange (Compulsory Notification of Vacancies) Act, 1959, Payment of Gratuity Act, 1972, The Maternity Benefit Act, 1961, The Apprentice Act, 1961.

5. **Employee's Organisations:** Employee's organisations have mustered strength as a parallel to the growth of industrialism. At present these organisations constitute one of the power blocks in many countries including India. With the formation and recognition of these organisations, the issues related to employees interest are no longer determined by the unilateral action of management and must, now, be discussed with union representatives. In addition Unions have shifted their emphasis from economic tactics to the political pressures. Thus ".... the unions have turned increasingly to governmental action as a means of achieving their objectives in addition to using the more traditional actions." In consequence the scope of managerial discretion has been narrowed down.

6. **Customers:** Organisations produce products or render services for the ultimate consumption/use by the customers. In a sense, it can be said that organisations depend upon customers for their survival and growth. Customers revolt against employees if services rendered are less qualitative. There were a number of instances of this kind in commercial banks in India. Similarly, customers may develop negative attitude towards the organisation, if it does not follow the social policies of the country. Hence, personnel manager has to take the customer's attitude towards employees in HRM particularly in service oriented industries.

7. **Social Factors:** Social environment consists of class structure, mobility, social roles, social values, nature and development of social institutions, caste structure and occupational structure, socially forward and weaker sections, traditions, religion, culture etc. these factors influence the human resources management of an organisation, viz., its human resources.

8. **Economic Factors:** A number of economic factors affect human resources management of an organisation by influencing its operations. The significant among them are, economic system, economic policies, national income, per capita income,

9. **Political Factors:** Political stability, political parties and their ideologies and political gimmicks, formations of new political parties, splits in and amalgamation of existing parties naturally affect the trade union in an organisation. This in turn results in intra and inter Union rivalry, formation of new trade unions, splits in and amalgamation of existing trade unions etc. These changes in trade unions complicate the task of HRM.

Human Resource Management is a process of bringing people and organisations together so that the goals of each are met. It is that part of the management process which is concerned with the management of human resources in an organisation. It tries to secure the best from people by winning their wholehearted cooperation. In short, it may be defined as the art of procuring, developing and maintaining competent workforce to achieve the goals of an organisation in an effective and efficient manner.

According to Invancevich and Glueck, HRM is concerned with the most effective use of people to achieve organisationsal and individual goals. It is a way of managing people at work, so that they give their best to the organisation. It has the following features:

a. **Pervasive force:** HRM is pervasive in nature. It is present in all enterprises. It permeates all levels of management in an organisation.

b. **Action oriented:** HRM focuses attention on action, rather than on record keeping, written procedures or rules. The problems of employees at work are solved through rational policies.

c. **Individually oriented:** It tries to help employees develop their potential fully. It encourages them to give out their best to the organisation. It motivates employees through a systematic process of recruitment, selection, training and development coupled with fair wage policies.

d. **People oriented:** HRM is all about people at work, both as individuals and groups. It tries to put people on assigned jobs in order to produce good results. The resultant gains are used to reward people and motivate them toward further improvements in productivity.

e. **Development oriented:** HRM intends to develop the full potential of employees. The reward structure is tuned to the needs of employees. Training is offered to sharpen and improve their skills. Employees are rotated on various jobs so that they gain experience and exposure. Every attempt is made to use their talents fully in the service of organisational goals.

f. **Integrating mechanism:** HRM tries to build and maintain cordial relations between people working at various levels in the organisation. In short, it tries to integrate human assets in the best possible manner in the service of an organisation.

g. **Comprehensive function:** HRM is, to some extent, concerned with any organisational decision which has an impact on the, workforce or the potential workforce (Bernardin, p.15). The term 'workforce' signifies people working at various levels, including workers, supervisors, middle and top managers. It is concerned with managing people at work. It covers all types of personnel. Personnel work may take different shapes and forms at each level in the organisational hierarchy but the basic objective of achieving organisational effectiveness through effective and efficient utilisation of human resources, remains the same. "*It is basically a method of developing potentialities of employees so that they get maximum* satisfaction out of their work and give their best efforts to the organisation". (Pigors and Myers)

h. **Auxiliary service:** *HR departments exist to assist and advise the line or operating managers to do* their personnel work more effectively. HR manager is a specialist advisor. It is a staff function.

i. **Inter-disciplinary function:** HRM is a multi-disciplinary activity, utilising knowledge and inputs drawn from psychology, sociology, anthropology, economics, etc. To unravel the mystery surrounding the human brain, managers, need to understand and appreciate the contributions of all such 'soft' disciplines.

j. **Continuous function:** According to Terry, HRM is not a short deal. It cannot be practised only one hour each day or one day a week. It requires a constant alertness and awareness of human relations and their importance in every day operations.

Scope of HRM

The scope of HRM is very wide. Research in behavioural science, new trends in managing knowledge workers and advances in the field of training have expanded the scope of HR function in recent years. The Indian Institute of Personnel Management has specified the scope of HRM thus:

- **Personnel aspect:** This is concerned with manpower planning, recruitment, selection, placement, transfer, promotion, training and development, lay off and retrenchment, remuneration, incentives, productivity, etc.
- **Welfare aspect:** It deals with working conditions and amenities such as canteen, creches, rest and lunch rooms, housing, transport, medical assistance, education, health and safety, recreation facilities, etc.
- **Industrial relations aspect:** This covers union-management relations, joint consultation, collective bargaining, grievance and disciplinary procedures, settlement of disputes, etc.

Misconceptions about Human Resource Management

Unfortunately many top managers continue to depreciate the worth of human resource specialists in an organisation. The human resource function is seen as encompassing primarily the staffing and employment activities that no one else really wants to do. These activities generally include such things as maintaining a vast array of records required by government, directing employee recreation programmes and presiding at retirement parties. It is precisely because of this jaundiced view that the term human resource is being employed nowadays in place of personnel, with a view to eliminate the negative flavour associated with the word personnel. The reasons for discounting the utility of human resource specialists are not far to seek.

a. **Lack of expertise:** Many managers criticise human resource people for having little interest in or knowledge of other important areas of the organisation. Human resource people suffer from ivory tower thinking. They have a fairly high regard for theoretical prescriptions but when it comes to translating the sterile rhetoric into concrete action they tend to develop cold feet and seek shelter behind a mountain of rules and regulations. Referring to a group of surveys, Faulkes reported that - "although they always know without exception the number of employees, a majority of major corporation personnel directors couldn't state the dollar volume of sales for their company, didn't know the profit level and had little idea of the rate of return". In other terms, human resource people have good theories but lack a basic understanding of the business principles necessary to implement them.

b. **Alienation from the mainstream:** Operating managers quite often view human resource specialists as 'do-gooders'. Managers holding such views develop a natural aversion toward personnel managers, why the latter talk about poor working conditions and injustices that stare at the less fortunate employees from time to time. Even when the human resource people are right, it is often their approach that bothers operating manager. When human resource people try to look at things in terms of the company ("they") vs the employees and themselves ("we") they also, unwittingly commit the folly of alienating themselves from operating managers.

c. **Fascination with latest fads:** Many operating managers think that human resource people have an obsession with promoting the latest fads in the human resource field. In an attempt to find a 'personnel cure-all', personnel people try to harp on the latest HRM buzzwords without really making a serious attempt to look into the dark side of the moon.

d. **Lack of respect:** Personnel positions do not always attract the best in many organisations. Often the human resource area is view as a demotion or a dead-end job (of late, the situation has changed), especially in those organisations where unsuccessful operating managers are planted in human resource areas. "Staffing the human resource department with people who have little or no expertise in the field results in a continual down-grading of the department". Sometimes, human resource people tend to dispense with important issues in a reactionary fashion. They tend to look into the problem seriously, only when it tries to show its ugly face. Such actions can lead to top management lacking respect for the human resource department. It is small wonder, human resource people are sometimes excluded from long range planning and other strategic decision-making activities of the organisation.

The preceding paragraphs show a rather severe criticism of human resource departments as they allegedly have performed in some organisation. These problems should compel personnel people to introspect, find out suitable remedies and gain acceptance in the corporate world.

Objectives of HRM

Although managers and supervisors in the past often were arbitrary and autocratic in their relations with subordinates, today this type of leadership is being increasingly rejected. The present generation of employees is more enlightened and better educated that were preceding ones. Today's employees demand more considerate treatment and a more sophisticated form of leadership. Furthermore, because of the protection that is provided by the unions and government or because their skills are in short supply, many group of employees are in a position to demand and obtain more favourable employment conditions and treatment. In the light of these emerging trends, HRM's objectives have been expanding all these years. Let's examine these in detail.

a. **To help the organisation reach its goals:** HR department, like other departments in an organisation, exists to achieve the goals of the organisation first and if it does not meet this purpose, HR department (or for that matter any other unit) will wither and die.

b. **To employ the skills and abilities of the workforce efficiently:** The primary purpose of HRM is to make people's strengths productive and to benefit customers, stockholders and employees.

c. **To provide the organisation with well-trained and well-motivated employees:** HRM requires that employees be motivated to exert their maximum efforts, that their performance be evaluated properly for results and that they be remunerated on the basis of their contributions to the organisation.

d. **To increase to the fullest the employee's job satisfaction and self-actualisation:** It tries to prompt and stimulate every employee to realise his potential. To this end suitable programmes have to be designed aimed at improving the quality of work life (QWL).

e. **To develop and maintain a quality of work life:** It makes employment in the organisation a desirable personal and social situation. Without improvement in the quality of work life, it is difficult to improve organisational performance.

f. **To communicate HR policies to all employees:** It is the responsibility of HRM to communicate in the fullest possible sense both in tapping ideas, opinions and feelings of customers, non-customers, regulators and other external public as well as in understanding the views of internal human resources.

g. **To help maintain ethical policies and behaviour:** The Chief Personnel Officer in a large American Corporation put it thus: Personnel's purpose is "to practice morality in management in preparing people for change, dealing with dissent and conflict, holding high standards of productivity, building acceptance of standards that determine progression and adhering to the spirit and letter of high professional conduct".

Thus, HRM in short should try to (a) attain economically and effectively the organisational goals; (b) serve to the highest possible degree the individual goals; and (c) preserve and advance the general welfare of the community. The above eight objectives (drawn from Ivancevich and Glueck) should ultimately lead to employee satisfaction and fulfillment. This is however easier said than done. Unless HR people are thoroughly conversant with the social, legal and economic trends in the economy, managing people in today's world of work would always prove to be a ticklish affair.

Importance of HRM

Human resources, along with financial and material resources, contribute to the production goods and services in an organisation. Physical and monetary resources, by themselves, cannot improve efficiency or contribute to an increased rate of return on investment. It is through the combined and concerted efforts of people that monetary or material resources are harnessed to achieve organisational goals. But these efforts, attitudes and skills have to be sharpened from time to time to optimise the effectiveness of human resources and to enable them to meet greater challenges. This is where Human Resource Management plays a crucial role. It helps an organisation in multifarious ways:

i. **At the enterprise level**

- Good human resource practices can help in attracting and retaining the best people in the organisation. Planning alerts the company to the types of people it will need in the short, medium and long run.

ii. **At the individual level:** Effective management of human resources helps employees thus:

- It promotes team work and team spirit among employees.
- If offers excellent growth opportunities to people who have the potential to rise.
- It allows people to work with diligence and commitment.

Table 1.1: A Driver is Worth Rs 3 Crores at Infosys!

When it was listed in 1992, Infosys Technologies Ltd. Had a turnover of Rs. 12 crore. In 1999 Infosys clocked sales of Rs. 513 crore. During the last 7 years it had 2,000 millionaries and billionaires on its rolls. The software powerhouse has very low attrition rates, thanks to its stock option plans and employee-focused strategies. The chairman's driver, Mr. Kannan, owns stock worth Rs 3 crore and continues to work as the driver currently. (Business India, Jan. 24 - Feb. 6, 2000)

iii. At the society level: Society, as a whole, is the major beneficiary of good human resource practices.

- Employment opportunities multiply.
- Scarce talents are put to best use. Companies that pay and treat people well always race ahead of others and deliver excellent results.

Systems Approach to HRM

A system is a set of a interrelated but separate elements or parts working towards a common goal. A university, for example, is made up of students, teachers, administrative and laboratory staff who relate to one another in an orderly manner. What one group does has serious implications for others. So must be communicating with each other in order to achieve the overall goal of imparting education. The enterprise operations, similarly, must be viewed in terms of interacting and interdependent elements. The enterprises procure and transform inputs such as physical, financial and human resources into outputs such as products, services and satisfactions offered to people at large. To carry out its operations, each enterprise has certain departments known as subsystems such as production subsystem, finance subsystem, marketing subsystem, HR subsystem, etc. Each subsystem consists of a number of other subsystems. For example, the HR subsystem may have parts such as procurement, training, compensation, appraisal, rewards, etc. If we were to view HR subsystem as crucial to organisational performance, an organisation presents itself thus:

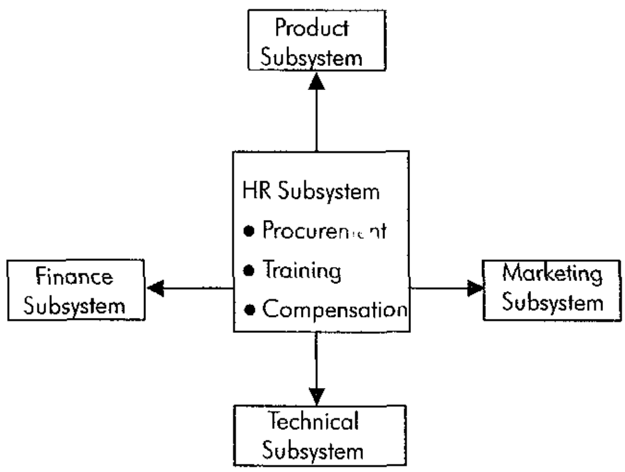


Figure 1.7: HRM as a Central Subsystem in an Enterprise

The various internal subsystems, it should be noted here, of an organisation operate within the framework of external environment consisting of political, social, economic and technological forces operating within and outside a nation.

The changing role of HR Management

In an organisation, there are tall people, short people, fat people, thin people, black people, white people, elderly people, young people and so on. Even within each category there are enormous individual differences. Some will be intelligent, others not so intelligent; some are committed to jobs, others are not; some will be outgoing, others reserved and so on. "The point is that these differences demand attention so that each person can maximise his or her potential, so that organisations can maximise their effectiveness and so that the society as a whole can make the wisest use of its human resources" (Cascio p.5). the challenge of HR managers today is to recognise talent and nurture the same carefully and achieve significant productivity gains over a period of time. The enterprise is nothing but people. Technological advances, globalised competition, demographic changes, the information revolution and trends toward a service society have changed the rules of the game significantly. In such a scenario, organisations with similar set of resources gain competitive advantage only through effective and efficient management of human resources (Dessler p.14-15).

Table 1.2: New Management Practices

- New organisational forms (teams, boundaryless organisations) have come in place of pyramid-shaped units.
- Employees are being empowered to make more and more decisions. Employees are at the top now. They are equipped to take prompt decisisons in line with customers' needs. Corprate layers have vanished overnight. Organisations have demolished the hierarchical levels with a view to facilate quick communications and decisions.
- The bases of power have changed. Position, title, authority are no longer adequate to get the jobs done. Instead managers have to tap sources of good ideas, strike collaborations to implement those ideas and get results.
- The new manager, as pointed out by P F Drucker, should increasingly think of himself as a sponsor, team teader and internal consultant instead of viewing his position and power as unchallenged, unique and super normal.
- According to General Electrick's Jack Welch, managers today must work toward building commitment among employees. "The only way I see to get more productivity is by getting people involved and excited about their jobs"

(R M Kanter, "The New Managerial Work", HBR, Nov. - Dec. 1989)
(P F Drucker, The Coming of the New Organisaiton", HBR, Jan. - Feb. 1988)

The role of a HR manager is shifting from a protector and screener to the planner and change agent. In present day competitive world, highly trained and committed employees are often a firm's best bet. HR professionals play a key role in planning and implementing downsizing, restructuring and other cost-cutting activities. They enable a firm to be more responsive to product innovations and technological changes. For example, team based work assignments and productivity linked rewards could replace manufacturing systems. In service enterprises like banking, hotels, insurance firms, etc., discourteous employee responses may ruin the relationships with customers. Employees who lack the temperament, maturity, social skills and tolerance for frequent contact should not be selected at all for service-oriented activities. HR professionals can help an organisation select and train employees for such emerging roles. Employees are the primary pillars of corporate success. Machines neither have new ideas nor they can solve problems or grasp opportunities. Only people who are involved and thinking can make a difference. Through open communications, proper feedback and fair treatment of all employees' grievances and discipline matters, HR professionals promote employee commitment at various levels. In such a case employees perform the assigned tasks willingly and enthusiastically and thus offer a competitive advantage to the organisation. As rightly pointed out by Charles Creer, (Strategy and human resources, Prentice Hall 1995, p.105) "In a growing number of organisations human resources are now viewed as a source of competitive advantage. .....Increasingly it is being recognised that competitive advantage can be obtained with a high quality workforce that enables organisations to compete on the lines of market responsiveness, product and service quality, differentiated products and technological innovation".

Personnel Management

Personnel Management is concerned with people at work and their relationships with each other. It may be defined as a set of programmes, functions and activities designed to maximise both personal and organisational goals. It is essentially concerned with seeing that the organisation attracts and hires qualified, imaginative and competent people for the organisation. This function also involves the establishment of various policies to deal with the employees and to retain them with the organisation. To this end, it lays out the rules regarding working conditions, chalks out compensation plans, employer-employee relations, etc. According to the National Institute of Personnel Management (NIPM) the three important dimensions of Personnel Management include:

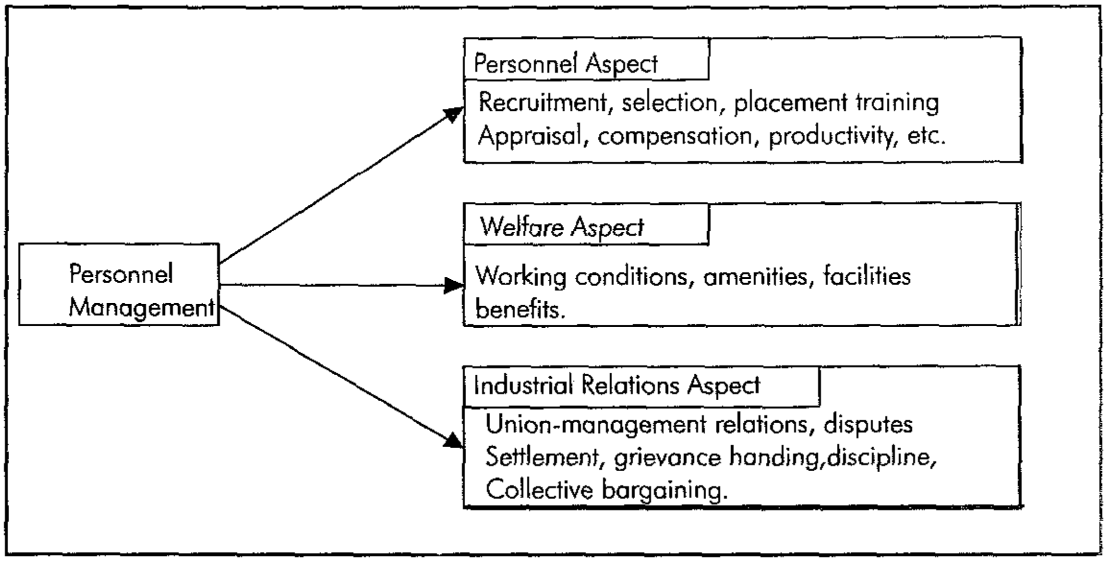


Figure 1.8: Three Dimensions of Personnel Management

Features

a. Personnel management is concerned with employees, both as individuals and as a group in attaining goals. It is also concerned with behaviour, emotional and social aspects of personnel.

b. It is concerned with the development of human resources, i.e., knowledge, capability, skill, potentialities and attaining and achieving employee-goals, including job satisfaction.

c. Personnel management covers all levels (lower, middle and top) and categories (unskilled, skilled, technical, professional, clerical and managerial) of employees. It covers both organised and unorganised employees.

d. It applies to the employees in all types of organisations in the world (industry, trade, service, commerce, economic, social, religious, political departments). Thus, it is common in all types of organisations.

e. Personnel management is a continuous and never-ending process.

f. It aims at attaining the goals of an organisation, individual working therein and society in an integrated way. Organisational goals may include survival, growth and development in addition to profitability, productivity, innovation, excellence, etc. Individual employee-goals may consist of job satisfaction, job security, high salary, attractive fringe benefits, challenging work, pride, status, recognition, opportunity for development, etc. Goals of the society may include equal employment opportunity, protecting the disadvantaged sections and physically handicapped, minimising wage differentials, developing the society in general through developmental activities, etc.

g. Personnel management is a responsibility of all line managers and a function of staff managers in an organisation.

h. *It is concerned mostly with managing human resources at work.*

i. Personnel management is the central sub-system of an organisation and it permeates all types of functional management viz., production management, marketing management and financial management.

j. Personnel management aims at securing unreserved cooperation from all employees in order to attain predetermined goals.

Looking at the comprehensive nature of the function, most writers prefer to use the term. In this book the terms Personnel Management and HRM have been used synonymously signifying " a set of activities in all organisations intended to influence the effectiveness of human resources and organisations" (Glueck p.11). Of all, the most comprehensive definition has been advanced by a renowned scholar, Michael Jucius, who defined personnel management as a field of management which has to do with planning and controlling various operative functions of procuring, developing, maintaining and utilising a labour force, such that the: (i) Objectives for which the company is established are attained economically and effectively; (ii) objectives of all levels of management are served to the highest possible degree; (iii) objectives of the community are duly considered and served.

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Chapter 2
Functions and Policies of HRM

The functions of HRM can be broadly classified into two categories, viz., (i) Managerial Functions, and (ii) Operative Functions.

Managerial Functions

The basic managerial functions comprise planning, organising, directing and controlling. These functions influence the operative functions.

- **Planning:** This function deals with the determination of the future course of action to achieve the desired results. Planning of personnel today prevents crises tomorrow. While carrying out this function, the personnel manager is expected to determine the personnel programme regarding recruitment, selection and training of the employees of the organisation.
- **Organising:** This function is primarily concerned with proper grouping of the personnel activities, assignment of different groups of activities to different individuals and delegation of authority. Creation of a proper structural framework is the primary task of the personnel manager in the organising function. Organising, in fact, is considered to be the woof of the entire management fabric and hence cannot afford to be ignored by the personnel manager.
- **Directing:** This involves supervising and guiding the personnel of the enterprise. To execute plans, direction is essential; without direction there is no destination. Many a time, the success of the organisation depends on the direction of things rather than their design. Direction, most importantly, consists of motivation and leadership. The personnel manager must be a good motivator. At the same time, he must be a good leader and able to exercise a leadership style suitable to the situation. He should, in essence, effectively motivate and lead the employees at work.
- **Controlling:** Controlling function of personnel management comprises measuring the employee's performance, correcting negative deviations and assuring the accomplishment of plans efficiently. Controlling essentially implies a detection of deviations of employee performance from standards and the correction of such deviations. Controlling also makes individuals aware of their performance through review reports, records and personnel audit programmes, etc. Controlling is necessary to ensure that the activities are being carried out in accordance with stated plans.

Operative Functions

The operative functions of personnel management are related to specific activities of personnel managem , viz., employment, development, compensation and relations. These functions are to be performed in conjunc n with managerial functions.

1. **Employment:** The first operative function of personnel management is employment. It is concerned with procuring and employing the people possessing necessary skill, knowledge, aptitude, etc., to achieve the organisational objectives. It covers, the functions such as job analysis, manpower planning, recruitment, selection, placement, induction and internal mobility.
   i. *Job analysis:* It is the process of collecting information relating to the operations and responsibilities of a specific job.
   ii. *Human resources planning:* It is a process of determining and assuring that the organisation will have an adequate number of qualified persons, available at proper times, performing jobs which would meet the needs of the organisation and which would provide satisfaction for the individuals involved.

iii. *Recruitment:* It is the process of searching for prospective employees and stimulating them to apply for jobs in an organisation.

iv. *Selection:* It is the process of ascertaining the qualifications, experience, skill, knowledge, etc., of an applicant with a view to appraising his/her suitability to a job.

v. *Placement:* It is the process of assigning the selected candidate with the most suitable job. It is matching of employee specifications with job requirements.

vi. *Induction and orientation:* Induction and orientation are the techniques by which a new employee is rehabilitated in the changed surroundings and introduced to the practices, policies, purposes and people, etc., of the organisation.

2. **Human Resource Development:** It is the process of improving moulding, changing and developing the skills, knowledge, creative ability, aptitude, attitude, values commitment, etc., based on present and future job and organisational requirements. This function includes:

   i. *Performance appraisal:* It is the systematic evaluation of individuals with respect to their performance on the job and their potential for development.

   ii. *Training:* Training is a systematic process by which employees learn skills, knowledge, abilities or attitudes to further organisational and personnel goals.

   iii. *Management development:* It is the process of designing and conducting suitable executive development programmes so as to develop the managerial and human relations skill of employees.

   iv. *Career planning and development:* It is the planning of one's career and implementation of career plans by means of education, training, job search and acquisition of work experiences. It includes internal and external mobility.

   v. *Organisation development:* Organisation development is an organisation wide, planned effort, managed from the top, with a goal of increasing organisational performance through planned interventions. OD looks in depth at the human side of the organisations. It seeks to change attitudes, values, organisation structures and managerial practices in an effort to improve organisational performance.

3. **Compensation:** It is the process of providing equitable and fair remuneration to the employees. It includes bob evaluation, wage and salary administration, incentives, bonus, fringe benefits, social security measures, etc.

   i. *Job Evaluation:* It is the process of determining relating worth or jobs.

   ii. *Wage and salary administration:* It is the process of developing and operating a suitable wage and salary programme.

   iii. *Incentives:* It is the process of formulating, administering and reviewing the schemes of financial incentives in addition to regular payment of wages and salary.

   iv. *Bonus:* It includes payment of statutory bonus according to the payment of Bonus Act, 1965.

   v. *Fringe benefits:* In addition to compensating employees fairly and adequately, for their contributions in the performance of their jobs, organisations, these days, typically pay for a wide variety of supplementary benefits - often called 'fringe benefits'.

   vi. *Social security measures:* Managements provide social security to their employees in addition to the fringe benefits. These measures include:

      (a) Workmen's compensation to those workers (or their dependents) who are involved in accidents; (b) Maternity benefits to women employees; (c) Sickness benefits and medical benefits; (d) Disablement benefits/allowance; (e) Retirement benefits like provident fund, Pension, Gratuity, etc.

4. **Human relations:** It is the process of interaction among human beings. Human relations is an area of management practice in integrating people into work situation in a way that motivates them to work together productively, cooperatively and with economic, psychological and social satisfaction.
5. **Effectiveness of Human Resource Management:** Effectiveness of various personnel programmes and practices can be measured and evaluated by means of organisational health and human resource accounting.
   i. *Orgainisation health:* Organisational health may be studied by looking into employees' contribution to organisational goals and the employee job satisfaction. Employee satisfaction could be understood by labour turnover, absenteeism, commitment and the like. Low rate of absenteeism and high rate of employee commitment indicate employee-satisfaction about the job and the organisation. Employee contribution to organisational goals can be measured through employee productivity of different types
   ii. *Human resource accounting, audit and research:* Effectiveness of human resource management can also be found out through human resource accounting, audit and research.
      - Human Resources Accounting (HRA): it is a measurement of the cost and value of human resources to the organisation. Human resource management is said to be effective if the value and contribution of human resources to the organisation is more than the cost of human resources.
      - Human Resource Audit: Human resource audit refers to an examination and evaluation of policies, procedures and practices to determine the effectiveness of HRM. Personnel audit (a) measures the effectiveness of personnel programmes and practices and (b) determines what should or should not be done in future.
      - Human Resources Research: It is the process of evaluating the effectiveness of human resources policies and practices and developing more appropriate ones.

Personnel Policies, Procedures and Programmes

After the establishment of objectives of personnel management, personnel policies are to be formulated. Policies are general statements that guide thinking and action in decision-making.

Definition of Personnel Policy

A policy is a plan of action. Brewster and Richbell defined personnel policies as, "a set of proposals and actions that act as a reference point for managers in their dealings with employees. Personnel policies constitute guides to action. They furnish the general standards or bases on which decisions are reached. Their genesis lies in an organisation's values, philosophy, concepts and principles". Personnel policies guide the course of action intended to accomplish personnel objectives. For example, one of the personnel policies of Indian Railways is to provide equal employment opportunities to minorities.

Broadly speaking, thus, policies are broad statements which express the organisation's principles and philosc towards its human resource group, intentionally broad, so that they may be applied to various situations. Policies do not include detailed statements describing specifically how the policy is to be implemented. Policies are implemented by procedures.

What is Personnel Procedure ?

A procedure is a well thought out course of action. It prescribes the specific manner in which a piece of work is to be done. Procedures are called 'action guidelines'. They are generally derived from policies. Where policies define a broad field, procedures show a sequence of activities within that area. The emphasis is on chronological, step-by-step sequence of required actions. For instance, a student is required to complete several intemised steps in order to register himself for courses in a university. The basic purpose of a procedure is to spell out clearly the way one is to go about doing something.

For instance the policy, referred to earlier, might be translated into action through the following procedure:

All zonal railway will fill 15 per cent and 7.5 per cent of their vacancies in Group C and Group D categories from the candidates belonging to Scheduled Castes and Scheduled Tribes respectively. If suitable candidates are not available from these communities, the vacancies such as loco driver, signaling staff, station master will be filled by candidates belonging to other communities. Another example of policy and procedure is as follows:

Box 2.1: Tata Steel's Personnel Policy

The personnel policy of Tata Steel, as contained in the Statement of Objectives, is given below. The company tries to take care of its employees:

- By a realistic and generous understanding and acceptance of their needs and rights and enlightened awareness of the social problems of industry;
- By providing adequate wages, good working conditions, job security, an effective machinery for redressal of grievances and suitable opportunities for promotion and self-development through in-company and external programmes;
- By treating them as individuals, giving them a sense of self-respect and better understanding of their role in the organisation and satisfying their urge for self-expression through closer association with management,
- By creating a sense of belonging through human and purposeful activities in an integral part of human relations ensuring their willing cooperation and loyalty.

Further, personnel rules and programmes help in translating procedures into concrete action. Personnel rule spells out specific required action or non-action allowing no discretion.

Personnel programmes are complex sets of goals, policies, procedures, rules, steps to be taken, resources to be employed and other elements necessary to carry out a given course of action. It can be said that rules and programmes are aids to policy.

Advantages of Personnel Policies

Policies, as useful instructional devices, offer various advantages to personnel working at various levels in the following ways:

- **Delegation:** They help managers operating at various levels to act with confidence without the need for consulting the superiors every time.
- **Uniformity:** They increase the chance that different people in different levels of organisation make similar choices when independently facing similar situations. They make the actions of organisational members more consistent.
- **Better control:** As personnel policies specify the relationship among organisation, management and employees, they permit members to work toward achievement of the objectives of the organisation without friction / conflict, paving the way for better control.
- **Standards of efficiency:** Policies can also serve as standards in the execution of work. They enable the management to find out whether the policies have been translated into action by various groups in the organisation or not. In the light of actual performance, the existing policies may be subjected to amendment / refinement.
- **Confidence:** Policies make the employees aware of where they stand in the organisation and create confidence in them while confronting routine and recurring problems. They reduce chances of misinterpretation, misrepresentation and friction.
- **Speedy decisions:** Policies can speed up decision making by providing a blanket framework within which personnel decisions could be make. They summarise past experience.
- **Coordinating devices:** Personnel policies help in achieving coordination. If organisational members are guided by the same policies, they can predict more accurately the actions and decisions of others. They

ensure a steady course of action and prevent unwarranted deviations from planned operations.

In the absence of a policy, similar questions must be considered time after time. Lack of policy means that the organisation has established no continuing position. Despite their usefulness, personnel policies are not always easy to formulate and implement. A number of hurdles come in the way.

Obstacles in Administering Personnel Policies

The factors which obstruct the implementation of personnel policies are:

- Many times managers are reluctant to follow policy guidelines, for they restrict the scope of managerial work and curtail executive freedom.
- Often conflicts erupt between implied and expressed policy statements especially on employment matters. For example, a policy of promoting employees on the basis of merit only (expressed) may be sabotaged by unscrupulous managers by promoting 'yes men' (implied).
- Personnel policies demand constant revision, modification and restructuring from time to time. However, these policies are characterised by considerable inertia. Once established, they persist and become unalterable. In the absence of review and appraisal it would be difficult to break the cake of custom and effect desirable policy changes.
- Personnel policies are not easy to communicate. From time policies are initiated to the time they are used, there is always the danger of falling into 'generalities and pleasantries'.
- Since policies grant freedom to managers as to what is to be done in particular situation there is always the danger of some managers strictly adhering to the policy rhetoric and others deviating from the path excessively. A manager may be more liberal than was originally intended and vice versa. In general, 'the extra margin' of liberty may or may not prove to be an investment in the long run.

In order to overcome these obstacles, it is necessary to understand the basics in policy formulation and revision. It would be pertinent to look into the essentials of a sound personnel policy at this stage.

Characteristics of a Sound Personnel Policy

While developing sound personnel policies management should pay attention to the following things:

- **Related to objectives:** Policies must be capable of relating objectives to functions, physical factors and company personnel.
- **Easy to understand:** Policies should be stated in definite, positive, clear and understandable language.
- **Precise:** Policies should be sufficiently comprehensive and prescribe limits and yardsticks for future action.
- **Stable as well as flexible:** Personnel policies should be stable enough to assure people that there will not be drastic overnight changes. They should be flexible enough to keep the organisation in tune with the times.
- **Based on facts:** Personnel policies should be build on the basis of facts and sound judgement and not on personal feelings or opportunistic decisions.
- **Appropriate number:** There should be as many personnel policies as necessary to cover conditions that can be anticipated, but not so many policies as to become confusing or meaningless.
- **Just, fair and equitable:** Personnel policies should be just, fair and equitable to internal as well as external groups. For example, a policy of recruitment from within may limit opportunities to bright candidates from outside; and a policy of 'recruitment from outside only' would limit promotional avenues to promising internal candidates. To ensure justice, it is necessary to pursue both the policies scrupulously and apply them carefully.
- **Reasonable:** Personnel policies must be reasonable and capable of being accomplished. To gain acceptance and commitment from employees, the policy should be 'conditioned by the suggestions and reactions of those who will be affected by the policy'.

- **Review:** Periodic review of personnel policies is essential to keep in tune with changing times and to avoid organisational complacency or managerial stagnation. For instance, if the current thinking is in favour of workers' participation in management, the personnel policy should be suitably adjusted to accommodate the latest fad, accepted by many in the organisation.

Personnel policies to be sound should also have broad coverage in addition to satisfying the above conditions. Hence, it would be appropriate to discuss the coverage of personnel policies here.

Coverage of Personnel Policies

The coverage of personnel policies has been classified on the basis of functions of HRM by Michael Armstrong, which is outlined hereunder:

a. **Social responsibility**
   - Equity - treating employees fairly and justly by adopting an even-handed approach.
   - Consideration - considering individual circumstances when decisions affect the employee's prospects, seniority or self-respect.
   - Quality of work life - increase the interest in the job and organisation by reducing monotony, increasing variety of responsibilities avoiding stress and strain.

b. **Employment policies:** Provision of equal employment opportunities - selecting the candidates based on job requirements - encourage the employee on the job and in the organisation.

c. **Promotion policies:** Promotion policies would attempt to re-concile the demands of employee for growth and organisation's demands for fresh and much more potential blood. Promotion policy should be fair and just to all.

d. **Development policies:** Policies should cover the kind of employees to be trained, time span of training programmes, techniques, rewarding and awarding system, qualifications and experience of the trainer, encouraging the employees from self advancement, etc.

   These policies also cover the areas like career planning and development, performance appraisal, organisational change and organisational development.

e. **Relations policies:** Relations policies cover the areas of human relations like: policies regarding motivation, morale, communication, leadership styles, grievance procedure, disciplinary procedure, employee counselling, etc. These policies also cover the areas of industrial relations like union recognition, union representation, collective bargaining, prevention and settlement of industrial disputes, participative management, etc. Personnel policies to be effective should be written on the basis of authentic information available from different sources.

Sources of Content for Formulating Personnel Policies

Policies are formulated on the basis of material collected from different sources like:

a. past experience of the organisation;

b. existing practices and experiences in other organisations of the same nature or in the same geographical area or in the entire nation;

c. attitudes, philosophies of the management at various levels, employees, trade unions, etc.;

d. the knowledge and experience gained by all line managers and personnel managers in handling personnel issues;

e. organisational policies, etc.

Personnel policies to be effective should be evaluated and controlled continuously.

Evaluation and Control of Personnel Policies

Personnel policies, to be effective, must be reviewed, evaluated and controlled regularly against certain established standards. Evaluation helps to determine changes in the existing policies. All the policies should be reviewed annually and some policies should be reviewed at specific times like collective bargaining, after strike / lock out, etc. Departmental policies may be reviewed through participation of all employees. Outside consultants or experts from other organisations may be engaged to review crucial policies. Adequate care should be taken to review the policies in the following situations when (a) employees offer suggestions; (b) employees express grievances;

(c) unsatisfactory reports about employee performance and behaviour; (d) company plans for change like expansion, diversification, contraction, adoption of new technology, introduction of new methods, etc. Personnel policies, to be effective, should have favourable impact on the objectives and functions of Personnel HRM and help the parties concerned.

Evaluating the Impact of Personnel Policies

The system and methods of Personnel HRM are mostly based on personnel policies. Hence, appraising he impact of personnel policies is beneficial to the employees, organisation and society at large. The impact of personnel policies can be measured in terms of cost and benefit to employees, organisation and society.

'ersonnel HRM policies help the organisation in terms of attainment of organisational goals, increasing the efficiency, adaptability and achieving long-run results. Further organisational and human outcomes such as turnover, absenteeism, commitment are the result of human resource policies. Human resource policies help the employees to have awareness and a clear idea about the various programmes. P / HRM policies also affect the society. Some P / HRM policies affect commonly the individual, the organisation and the society. These policies relate to health, psychological and physical will being. Various P / HRM policies result in commitment, competence, cost effectiveness and congruence. These human resource outcomes lead to long term consequences like individual well being, organisational effectiveness and social well being as shown in Table 2.1.

Table 2.1: Impact of Personnel/HRM Policies

P / HRM Policy choices	Personnel/Human Resource outcome	Long-term Consequences
Employee influence Human resource supply Selection system Reward system HRD System Work Environment	Commitment Competence Congruence Cost effectiveness	Individual well being Organisational effectiveness social well being

Source: Modified version from S.K.Bhatia, "Assessing the overall Impact of HRM policies", The Hindu, 15th October 1987, p.18

The impact of human resource policies can be measured through their outcomes viz., commitment of the emp. .e towards the organisation. Employee commitment, in turn, can be evaluated through the length of service of an employee (stability of employment), absenteeism, employee attitude towards the job, organisation, etc. The competence of an employee can be appraised through performance appraisal techniques. Congruence of an employee to policies can be identified through nature and frequency of grievance, disagreement, discord, conflict, etc. Cost effectiveness can be measured through human resources accounting techniques. However, it is to be noted that the assessment of impact of human resources management policies is highly difficult, but not impossible.

Line Staff Relationships and Personnel Function

The relationships with which the managers in an organisation deal with one another may be broadly classified into two categories, viz., line and staff. Line and staff are often used in ways that are loose and unclear. Attempts have been made in some organisations to dispense with them. Thus, operating managers/departments are frequently substituted for line and auxiliary and service departments are used for staff. Line and staff are characterised by relationships but not by departments.

Line Relationship

The relationship existing between two managers due to delegation of authority and responsibility and giving or receiving instructions or orders is called line relationship. Thus line relationship generally exists between a superior and a subordinate. Line refers to those positions of an organisation which have responsibility, authority and are accountable for accomplishment of primary objectives. Managers identified as line are not subject to command by staff personnel. In case of disagreement between line and staff, line manager has the right to make final operating decisions.

Line authority represents uninterrupted line of authority and responsibility running through the management hierarchy. In other words, board of directors delegates authority to the managing director, who in turn, delegates a part of his authority to the general manager. The general manager in turn delegates part of his authority to different departmental heads and through them to the supervisors. However, the line managers are completely responsible and accountable for the results achieved by the employees of the respective departments and sections. This does mean that though the authority is delegated, responsibility for action taken by a subordinate still rests with the superior.

Staff Relations

The staff concept is probably as old as organisation itself. It is virtually impossible for line executives to perform all their functions and concentrate on all organisational activities. This naturally compels them to secure advice and help from specialists. The staff relationships are created thus. The relationship between manager A and manager B is said to be a staff relation, when B's position is created to secure advice, guidance, information, help or assistance, counselling, etc., in the process of attaining organisational goals.

Staff authority is advisory, which means that the staff, a supporting unit, recommends action or alternative actions to the line manager. Catch phrases like "Staff have the authority of ideas, lines have the authority of command; Staffs think, lines do; Staffs advise, lines work": have gained wide currency over the years. However, staff authority should not be confined to merely advisory roles or recommending activities only. According to McFarland, a staff manager helps serve, investigate, plan, solve special problems, supports line effort, provides ideas and has special expertise.

Having discussed two concepts it would be appropriate to apply the line and staff relationships to the organisation design.

Organisation Design and Line and Staff Relationships

Organisations can also be structured on the basis of line and staff. As discussed earlier, line and staff are to be viewed as relationships and not by departments. Some functional managers have line relations with other managers whilst other managers have staff relations with other managers in the organisation as shown in Figure 2.2. But those functional managers have staff relations may have line relations in relation to their subordinates. Thus organisation structure is designed on the basis of line and staff relationship within departmental structure. It is often regarded that the personnel manager has staff relation with other managers in an organisation. Now let's discuss the line and staff relationship and personnel management in an organisation.

Personnel Management is a Line Responsibility

It is widely felt that "Personnel management is a line manager's responsibility but a staff function". As discussed earlier, the responsibility of line managers is to attain the goals of their respective departments by striking a harmonious balance between material, machines, money and men. Thus management of four Ms which includes management of personnel in their respective departments is the responsibility of line management. Since management is getting things done by and through people the responsibility of managing people rests with line managers. Attaining overall organisational goals is the responsibility of the general manager through proper management of personnel and with the help of the different heads of the departments. In turn, management of personnel in different departments is the responsibility of various functional heads concerned. In the same way, first level managers are also responsible for managing men in their respective sections while achieving their respective sectional goals. Thus personnel

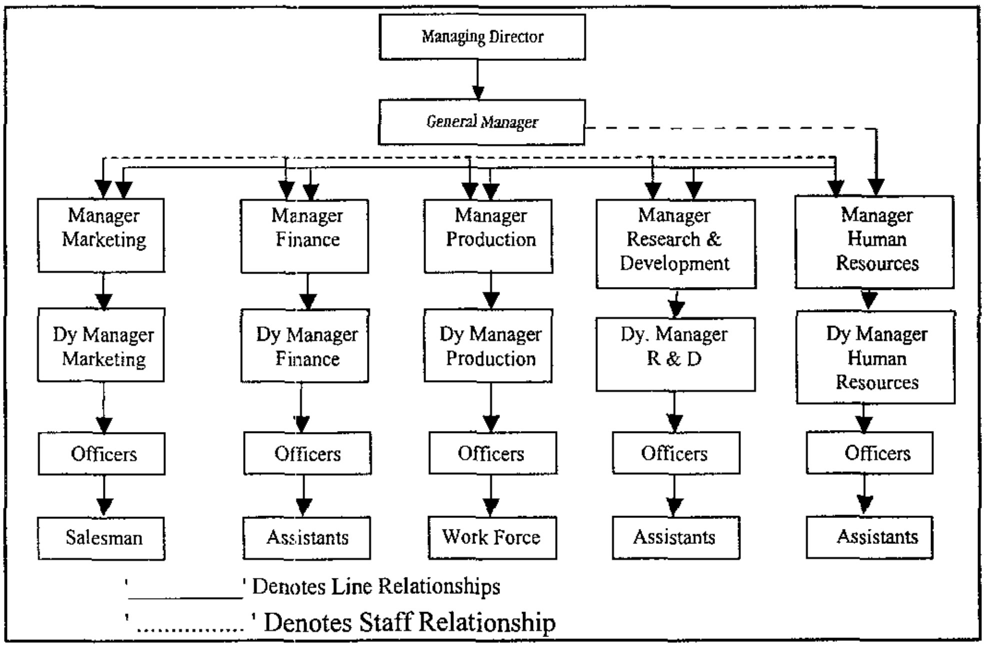

Figure 2.1: Line and Staff Relationships in an Organisation

management is a responsibility of all line managers. It is in this sense that every manager is a personnel manager.

Line Needs Assistance in Managing Men

In most of the organisations, Boards of Directors Delegate operative/technical responsibilites to managing directors and through them to the general managers. Different functional managers are given the technical responsibility by the general manager. Since all these line managers have to concentrate on discharging technical/ operative responsibilities they may not find time to take care of human resources. For example, the production manager has to concentrate on production activities and thus he may not find time to perform the various functions of personnel management relating to employees or his/her own department. In such a situation, the line managers require help or advice relating to personnel management in their respective departments.

Personnel Management is a Staff Function

Since the top management believes that organisational ability depends on sound management of human resources, it provides specialised assistance to line managers through personnel managers. Thus, personnel managers are created for the purpose of providing assistance, advice, information, etc., to line managers in order to relieve them from the burden of management of personnel and to allow them to concentrate on their technical operations. Personnel managers perform the various functions of personnel management viz., employment, training, development, wage and salary administration, motivation, grievance redressal, workers' participatio management, collective bargaining, etc. Also personnel managers perform certain staff functions relating to management of personnel like advising, assisting, guiding, suggesting, counselling and providing information to line managers. So personnel management is a staff function.

However, the final responsibility for the management of personnel still rests with line managers. The personnel management is a line management responsibility but a staff function.

Staff Role of the Personnel Department

The Personnel Department in relation to other departments and other managers performs the following roles:

a. **Policy initiation and formulation:** One of the important functions of the personnel department is formulation of new personnel policy, alteration or modification of the existing personnel policies. The personnel manager has to initiate modification or formulation of new policies. He assists, advises and counsels the managing director regarding implications, etc., in formulation and modification of all major or crucial policies. He may be authorised by the managing director to formulate or modify the minor policies.

b. **Advice:** The major activity of the personnel department/manager is advising, counselling, managers operating at various levels (Junior, Middle and Top) regarding problems, issues, clarifications concerning policies or people of their departments/sections. Advice should be based on thorough thinking, analysis, research regarding pros and cons, implications during and after execution, possible measures to be taken, etc.

c. **Service:** Personnel department renders all secretarial and executive services and performs background work in all personnel activities regarding recruitment, receiving and scrutinising applications, conducting tests, interviews, placement, induction, training, compensation management and management of industrial relations.

d. **Monitor and control:** Personnel department monitors performance and controls the line activities to the extent they are related to personnel issues. It compares the actual performance of line managers with the established personnel policies, procedures and programmes, identifies and informs the deviations with possible alternative solutions to the line managers. It also envisages appropriate corrective action. In advises the managing director to modify the policies (if necessary) based on the experiences in this regard.

Application within an Organisation

Figure 2.1 shows a company organisation chart with line and staff officials reporting directly to the managing director. The line relationship of delegated authority and responsibility from managing director to first level supervisors through general manager, heads of the departments is shown by a straight line. The relationship between the general manager and Manager-Personnel is also shown by straight line as the General Manager also gives orders to staff specialists. Personnel Manager being a staff specialist provides advice and help to various heads of the departments and lower level managers in addition to the general manager. The staff relationship between the Chief Personnel Manager and the general manager and other managers is shown by dotted lines. Thus, the relationship between personnel managers and general manager is both line and staff.

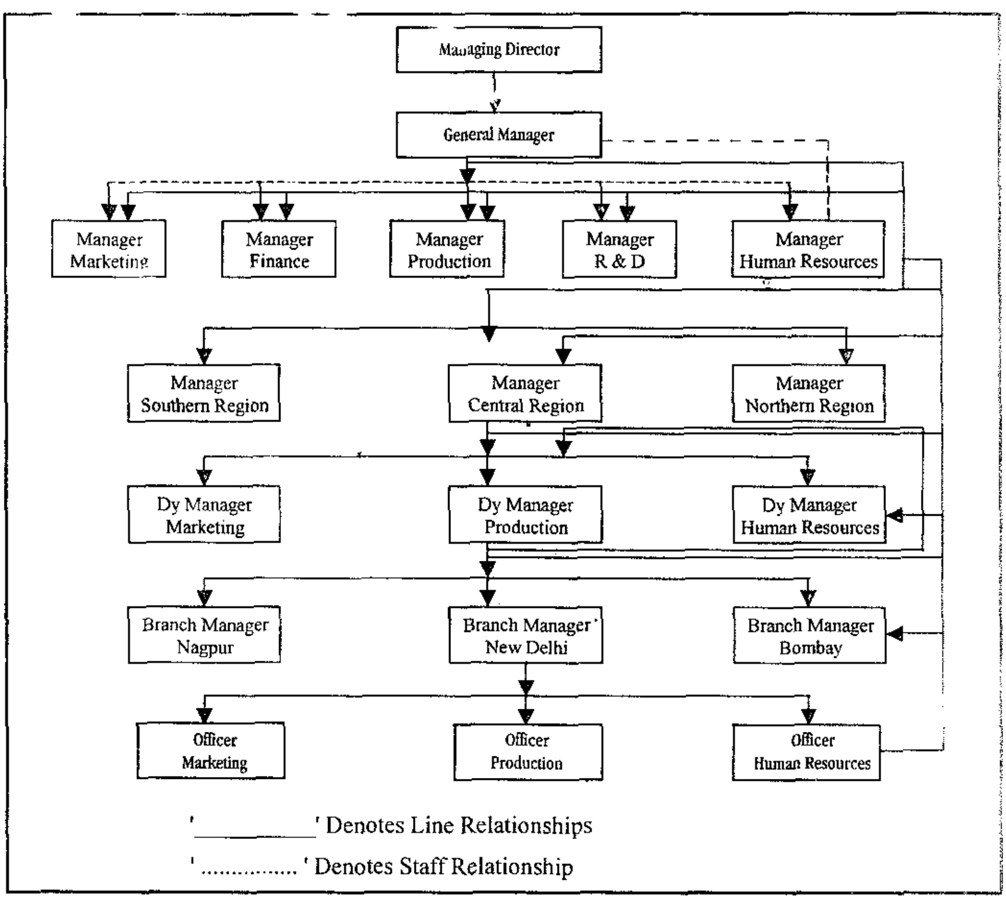

Figure 2.2: Personnel Department in a Divisionalised Organisation Structure

Personnel Department in a Divisionalised Organisation Structure

The role of a personnel manager attached to the divisional office / branch office or factory of a decentralised organisation is particularly a difficult one. The Personnel manager at divisional / branch manager in a line sense and subordinate to the Manager-Personnel at head office in a staff sense or functional sense (Figure 2.2). Personnel manager at divisional / branch level has to help the divisional / branch manager in developing personnel programmes and in the management of personnel of the division / branch concerned. The deputy manager personnel at the divisional level may contact the manager-personnel at the head office to gain acceptance of the personnel programmes. In case of rift between divisional manager and deputy manager personnel, they may report their difficulties to their common superior who in turn consults higher management for correct decision. Similarly, the personnel officer at branch level may contact the deputy divisional manager-personnel at divisional level to gain acceptance of the personnel programmes and to get clarifications about personnel issues. In case of the rift between the branch manager and branch personnel officer, they may report their issues to their superior at divisional level. The branch personnel officer and branch manager may get the assistance from the personnel manager at the head office, in solving the problems of crucial and strategic nature and of those which cannot be solving at branch / divisional level.

Personnel Department in a Matrix Organisation Structure

In a matrix organisation structure, employees have two superiors, i.e., they are under dual authority. One chain of command is functional and the other chain of command is a project team. Hence, matrix structure is referred to as a multi-command system (both vertical and horizontal dimension). Thus, the team of employees of personnel department have two superiors, i.e., Personnel manager (Vertical dimension) and Project manager (horizontal dimension - Figure 2.3). Both dimensions of structure are permanent and balanced, with power held equally by both functional and a project manager.

Role of Personnel Department in an Organisation

As a specialist: The personnel department has staff relationship with other departments / managers in the total organisation. The personnel department is responsible for advising management from Managing Director to the lowest line supervisor on all areas relating to the personnel management and industrial relations. Personnel department also performs various functions of employment, training and development. It represents management in many of the relationships that effect the organisation as a whole. It is also responsible for conveying the problems, grievances or simply opinions of workers to management. Personnel department generally acts in an advisory capacity: it provides information, offers suggestions, counsels and assists all the line managers in the organisation and is not responsible for the end results. The personnel manager must exercise control very tactfully, in order to win the confidence and cooperation of all line managers. He has to persuade the line managers to work with staff specialists and not against them. The authority of personnel manager should derive from concrete personnel policies and programmes and from the advantage and result of accepted specialised knowledge.

As a source of help: In certain situations, (in which line managers lack skill or knowledge in dealing with employee problems) experienced personnel managers assume line responsibility for personnel matters. But it may be resented by the very managers who ought to seek staff assistance in meeting their personnel responsibilities. Personnel managers should earn the reputation and confidence of line managers of being a source of help rather than a source of threat. Staff assistance is likely to be effective when it is wanted rather than when imposed.

As a change agent: Personnel manager should work as an enabler and change agent regarding personnel areas and he should be familiar with different disciplines like management, technology, sociology, psychology and organisational behaviour as organisational adaptability, viability and development are dependent on human resource development. So the personnel manager should work as a consultant of an organisational development by providing necessary information and infrastructure to the line managers.

As a controller: Personnel Managers help line people implement organisational policies and programmes concerning people working at various levels - in line with what has been planned earlier.

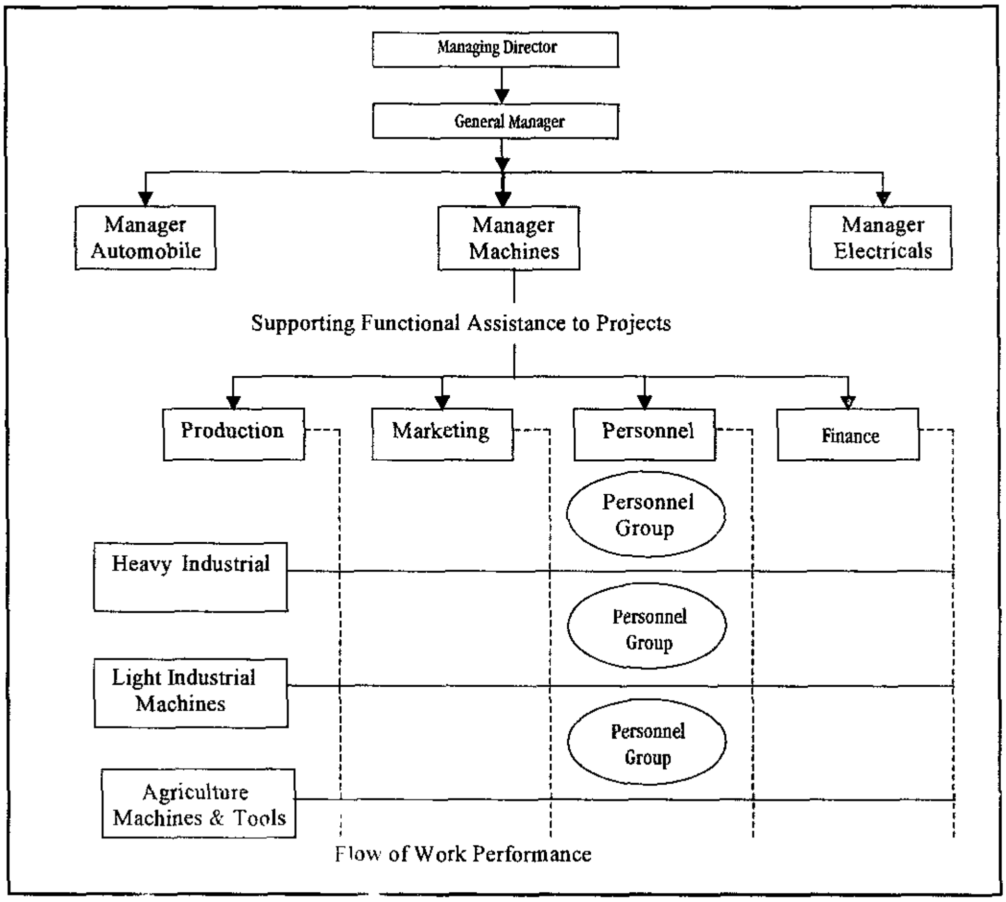

Figure 2.3: Personnel Department in a Matrix Organisation

Responsibilities within Personnel Department

As other line managers, the Manager-Personnel is also a line manager in relation to subordinates within the personnel department. Personnel manager is responsible for the success or failure of his department in contribution to the organisational goals. In most of the organisations, the personnel manager is responsible for supervising the activities of his subordinates like employment manager, wage and salary manager, manager for training and development, manager-industrial relations, etc. He/She is also responsible for the operations of personnel manager at divisional and branch levels. This can be observed from Figure 2.4.

As the chief of the personnel department, the personnel manager has to get effective results with the cooperation of all the employees working in the department and by showing the validity of the concept of the team work. The success of the personnel department should be measured in terms of its contributions to the personnel programmes.

The success of the personnel department can be gauged by the degree of dependence of line managers on personnel department, which in turn depends greatly on the qualifications and qualities of the personnel manager.

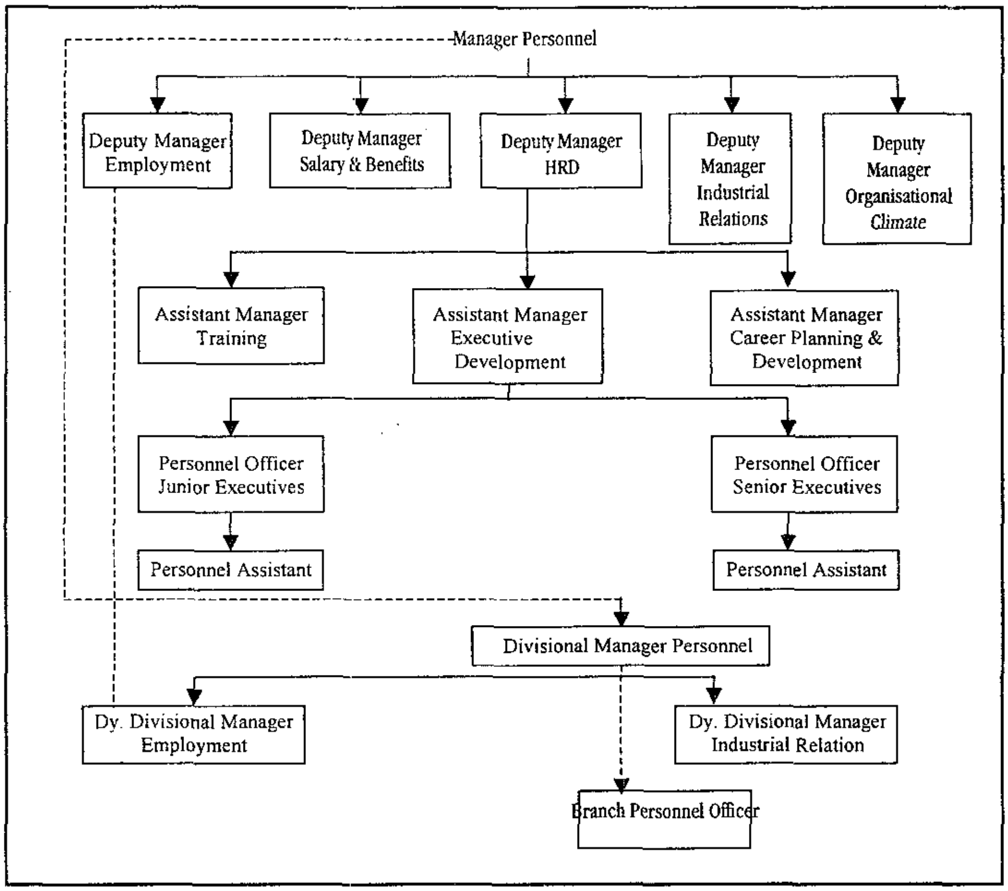

Figure 2.4: Organisation of Personnel Department

Qualifications and Qualities of a Personnel Manager

The functions of personnel management vary from organisation to organisation, both in nature and degree. So, the qualifications required of a personnel manager differ from organisation to organisation, depending on its nature, size, location, etc. However, the qualifications and qualities which will be applicable in general can be summarised as follows:

a. **Personal attributes:** The personnel manager, as in case of any other manager, must have initiative, resourcefulness, depth of perception, maturity in judgement and analytical ability. Freedom from bias would enable the personnel manager to take an objective view of both of management and workers. He must thus have intellectual integrity. Moreover, the personnel manager should be thorough with labour laws. An understanding of human behaviour is essential to the personnel manager. The persc l manager must be familiar with human needs, wants, hopes and desires, values, aspirations, etc., wi at which motivating people is not easy.

   The personnel manager should also possess other personal attributes like:

   i. *Intelligence:* This includes skills to communicate, articulate, moderate, understand, command over language, mental ability and tact in dealing with people intelligently, ability to draft agreements, policies, etc.

   ii. *Educational skills:* Personnel manager should possess learning and teaching skills as he has to learn and teach employees about the organisational growth, need for the and mode of development of individuals, etc.

   iii. *Discriminating skills:* Personnel men should have the ability to discriminate between right and wrong, between the just and unjust, merit and demerit.

iv. *Executing skills:* Personnel manager is expected to execute the management's decisions regarding personnel issues with speed, accuracy and objectivity. He should also be able to streamline the office, set standards of performance, coordinate, control, etc.

Further, the personnel man is expected to have leadership qualities: deep faith in human values, empathy with human problems, visualising future needs of employees, organisation, government, trade unions, society, etc.

b. **Experience and training:** Previous experience is undoubtedly an advantage provided the experience was in an appropriate environment and in the same area. Training is psychological aspects, labour legislations and more specifically in personnel management and general management is an additional benefit. Experience is an enterprise in some other executive capacity can also help towards an appreciation of the general management problems and a practical approach in meeting personnel problems.

c. **Professional attitudes:** Finally, professional attitude is more necessary particularly in the Indian context. The personnel manager's job, as in the case of other managers is getting professionalised. He should have patience and understanding, ability to listen before offering advice. As mentioned earlier, he should have the knowledge of various disciplines like technology, engineering, management, sociology, psychology, philosophy, human physiology, economics, commerce and law. He must be able to combine social justice with a warm personal interest in people which must be secured by an uncommon degree of common sense.

Qualifications

The job of a personnel manager is quite complex. Meeting the ever-increasing needs, aspirations and expectations of employees is not easy. To complicate the problems further, top management expects the personnel manager to:

- Convey its commands, instructions, policies and programmes to employees in an effective way;
- Liaison with line managers smoothly;
- Look after the safety and welfare of employees carefully;
- Take care of the legal provisions governing the workspot;
- Offer expert advice on various issues relating to human resource planning, recruitment, training, appraisal, compensation, etc.

In union-management relations, the personnel man is expected to absorb the shocks and bring about peace. While discharging the above duties and responsibilities, he is not expected to lose sight of his moral and social obligations towards employees and the general public.

The question of prescribing a set of qualifications for a personnel manager - in view of the above, ever-growing i of roles assumed by personnel people and invites sharp criticism from various quarters. Keeping the diversity and elasticity of the Personnel Manager's job in mind, the following educational qualifications may be necessary to achieve success, in addition to the personal attributes already mentioned.

- Degree from a recognised University
- Postgraduate degree / diploma in HRM/HRD/Labour Welfare/Social Work / Psychology / Industrial Relations/MBA with Specialisation in HRM
- Degree in Law (desirable qualification)
- Knowledge of Local Language.

Role of a Personnel Manager

The personnel department generally acts in an advisory capacity; it provides information, offers suggestions, counsels and assists all the line managers in the organisation and is not responsible for the end results. The personnel manager must exercise control very tactfully in order to win the confidence and cooperation of all line managers. He has to

- Not associate in work with another member who does not conform to ethical standards and nct hesitate to bring to the notice of the Institute unethical practices adopted by any member of the Institute;
- Be faithful to my employer or client and present clearly to him the consequences to be expected if my professional advice is not accepted;
- Advise engagement of specialists when I am convinced that such services are in the best interest of my employer or client and shall cooperate with them in their work;
- Follow professional principles and practices tactfully and courageously keeping in mind the principles of equity in the fair distribution of work and rewards;
- Promote the concepts, methods, skills and techniques in the field that contribute to productivity, growth, profitability and employee satisfaction;
- Not disclose any information of a confidential nature that I may acquire in the course of professional work without obtaining the consent of those concerned.
- Not accept or offer any improper gratification in any form or manner whatsoever in connection with or in the course of my professional work."

Source: National Institute of Personnel Management, Calcutta

Academic Qualifications

An occupation to be called as a profession should possess advanced specialised formal education and training.

Qualifications prescribed for the post of personnel manager vary from organisation to organisation and from one State to another State of the country. Further, these qualifications have been undergoing several changes from time to time. The list of qualifications includes any degree from a recognised university, post-graduate degree/diploma in Social Sciences, Sociology, Social Work, Personnel Management and Industrial Relations, Labour Welfare, Labour Laws, MBA with specialisation in Personnel Management and Industrial Relations. Thus, no specific educational qualifications are prescribed for the post of a Personnel Manager in India. In fact, technical managers without any experience or qualification are posted as Personnel Managers in scme organisations like Indian Railways and Bharat Heavy Electricals Ltd.

However, specific educational qualifications are prescribed for various professions like Chartered Accountancy, Cost Accountancy, Company Secretaryship, Medicine, Law, etc., by the Government in India. The Factories Act, 1948, prescribed the educational qualifications for the posts of Welfare Inspectors but the qualifications are not prescribed by the Government for other posts of Personnel Management.

a. However, there is a view that there is no need to prescribe any specific degree as qualification for the post of a Personnel Manager. PF Drucker has warned that "no greater harm could be done to our economy or to our society than to professionalise management through licensing requirements or specifying special academic degrees as necessary training".

b. Personnel management (though it is a line responsibility) is a staff function. But most of the line managers do not seek the advice of a personnel specialist, thus giving no scope to personnel managers to judge various issues independently and accept responsibility for the advice or suggestion they offer to line managers.

c. The practitioners and academicians of personnel management formed into two professional bodies, viz., Indian Institute of Personnel Management (IIPM) with Calcutta as its headquarters and National Institute of Labour Management (NILM) with its headquarters at Mumbai. These two professional bodies merged to form National Institute of Personnel Management (NIPM) in 1980. thus, NIPM is formed as a national level association in order to regulate the personnel management profession.

   But, it is difficult to say that NIPM is regulating the number and type of persons who enter the profession of personnel management as the Institute of Chartered Accountants of India regulates the profession of Accountancy. The NIPM conducts a two year post graduate diploma course considered as an academic qualification for the post of Personnel manager in various organisations. Further, NIPM organises various training programmes, seminar, etc., in order to contribute to policy formulation, standardisation of terminology, etc. But likewise, various management institutes also conduct similar programmes and they also contribute to policy formulation. NIPM publishes a journal called 'Personnel Today'. However, it is highly difficult to say that NIPM is regulating the profession of personnel management in India

d. Various professions like Medicine, Accountancy, have ethical codes. It is not easy to say whether all the members of a profession strictly adhere the ethical codes. But the personnel profession does not have such ethical codes.

As in case of other professions, personnel managers also make their knowledge and contributions freely available to others in the profession.

It cannot therefore be concluded, from the above analysis, that personnel management in India completely possesses the characteristics to be called as a profession. The situation may change in the years ahead, where organisational requirements for professionally qualified people increase.

Terminology

- **Personnel Management:** Deals with people at work and their relationships with each other
- **Personnel Policies:** A set of proposals and actions that act as a reference point for managers in their dealings with employees.
- **Personnel Procedure:** Action guidelines governing the behaviour of employees at work.
- **Employee Counselling:** The process through which employees are given advice in solving their work-related as well as personnel problems.

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Chapter 3
Evolution, Growth and Future of HRM

The history of development of personnel management in India is comparatively of recent origin. But Kautilya had dealt with some of the important aspects of human resources management in his "Arthasastra" 400 B.C. Government in those days adopted the techniques of H.R.M. as suggested by Kautilya. In its modern sense it had developed only since independence. Though the importance of labour officers was recognised as early as 1929, the appointment of officers to solve labour and welfare problems gained momentum only after the enactment of the Factories Act of 1948. Section 49 of the Act required the appointment of Welfare Officers in Companies employing more than 500 workers. At the beginning, Government was concerned only with limited aspects of labour welfare. The earliest labour legislation in India dealt with certain aspects of Indian labourers (Regulation of Recruitment, Forwarding and Employment) sent to various British colonies in 1830. Important phases of evolution of HRM are presented in Exhibit 3.1.

EXHIBIT 3.1: Evolution of HRM in India

Period	Development Status	Outlook	Emphasis	Status
1920s 1930s	Beginning	Pragmatism of capitalists	Statutory, Welfare paternalism	Clerical
1940s 1960s	Struggling for recognition	Technical, legalistic	Introduction of	Administrative Techniques
1970s	Achieving	Professional,	Regulatory, conforming, imposition of	Managerial
1980s	Sophistication Promising	Legalistic, Impersonal	Standards on other functions	
1990s		Philosophical	Human values, productivity through people	Executive

Sou C.S.Venkataratnam and B.K.Srivastava, Personnel Management and Human Resources, Tata c-Graw Hill, New Delhi, 1991, p.5.

The important aspects of development of human resources management in India are shown in the following Exhibit 3.2

EXHIBIT 3.2: Development of HRM in India

Year	Nature of Development
1860	Employers' and Workmens' (Disputes) Act was passed. This Act was penal in character, layir down criminal penalties for breach of contract.
1881 to 1891	Factories Acts of 1881 and 1891 were passed showing concern for workers welfare. These Acts were limited to working hours of women and children.
1863 to 1901	The Assam Labour Acts passed between 1863-1901 were concerned with migration of labour.
1890	First Labour Organisation, i.e., Bombay Mill Hands' Association was established.
1901	The Mines Act, concerned with the sage working conditions of work in the Mines was passed in 1901.
1905	The Printers' Union was established in Calcutta.
1907	The Postal Union was established in Bombay.
1907	Fact Labour Commission submitted its report to the Government of India. This report dealt with various abuses of the employment of women and children. This commission recommended

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strengthening and regulating the employment of women and children.

1911 Factories Act, 1911 was passed consequent upon the Report of Factory Labour Commission 1907. This Act strengthened the regulations about the employment of women and children. This Act introduced ceiling of number of working hours for men in textile mills.

1915 Calico Mills in Ahmedabad provided welfare facilities by appointing a doctor and a nurse. Later a hospital for maternity cases was opened. Tatas in Bombay appointed a Medical Officer in 1918 and it was expanded into an industrial health department in 1946.

1918 Massive industrial unrest prevailed following the end of World War I. Prices continued to increase sharply after the war, the raise in wages was not in accordance with the rise in cost of living. During the war period many Indian workers were subjected to long working hours. Immediately after the war several prolonged strikes were aimed at securing a ten hour day. This situation led to the enforcement of the sixty hour were by the Factories Act, 1922. Strikes for better wages were also organised during the period. These strikes were generally successful. Political discontentment affected the industrial peace and strikes became longer but achieved less. Sympathetic strikes and loss of man days were also a feature of the period. Strikes organised as a political weapon were mostly unsuccessful.

1919 The All India Trade Unions Congress (AITUC) was formed.

1920 Mahatma Gandhi inaugurated the Union of Throstle Department workers. This Union later become the Ahmedabad Textile Labour Association.

1922 An All India Industrial Welfare Conference was conducted by Social Service League in Bombay. Representatives of the Government and employers, attended the meeting. Subjects discussed were workers' education, sanitation, child welfare, trade unionism, housing etc.

1923 Strikes were organised when employers tried to reduce wages as a measure to reduce cost of living. Workmen's Compensation Act was passed.

1924 Strikes were organised in Cotton Mills in Bombay against the management's decision to withhold the annual bonus due to trade depression.

1926 Indian Trade Unions Act was passed with a provision of voluntary registration of the Unions basing on certain requirements and giving certain legal protection to officers and members of the unions.

Settlement Machinery

Government interfered in major disputes even before 1929. Courts of Enquiry were appointed in Madras in 1919 and 1920 to settle the disputes. Awards were given with the consent of both employers and employees. A dispute in Calcutta was settled by Committee of Enquiry in 1921.

Voluntary arbitration made its initial appearance in 1919 and Mahatma Gandhi helped the formation of Board of Arbitration to settle disputes in Ahmedabad Textile Mills.

Mahatma Gandhi eventually persuaded the employees and employers to solve their problems by a dialogue and to discontinue their strike in 1923. This system of voluntary arbitration continued until 1938 and revived in 1952.

1928 Strikes were organised for nearly 5 months in Jamshedpur as a consequence of retrenchment of workers. A prolonged strike was also organised in Bombay Textile Mills over the introduction of new methods of wok. Total number of man days lost during the year was 31.5 million - greater than the total loss during the preceding 5 years. This unrest forced the Government to set up the settlement machinery. Committees to settle disputes were set up in Bengal and Bombay. Bengal Committee suggested joint committees opposing legislative measures. Though the Bombay Committee was also of the similar opinion, it recommended Government's interference as a last resort in the form of a Court Enquiry of Conciliation.

1919 Labour Officers were appointed at the main oil installations in Bombay and Calcutta to take complete charge of all matters of labour like recruitment, promotion, discipline, retirement etc.

Royal Commission on Labour

Royal Commission on Labour under the Chairmanship of J.H.Whitely was set up in 1929 to enquire into and report on the existing conditions of labour in industrial undertakings and plantations in

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British Indian on the health, efficiency and standard of living of he workers and on the relations between employees and employers. This Commission submitted its report in 1931, covering all aspects of labour problems including employment of women and children, hours and conditions of work, industrial relations etc.

The important recommendations of the Commission were elimination of jobber from the engagement and dismissal of labour. a Labour Officer should be appointed for this purpose. This officer is incharge of many duties, particularly of welfare, labour legislations were enacted during the period 1932-1937 basing on the recommendations of the Commission.

1934 The Bombay Trade Disputes Conciliation Act was passed introducing Government Conciliation and Labour Officers to settle the unsolved disputes between the labour and management.

1935 Bombay Mill Owners' Association reported to the Government that Government Labour Officer together with the Association Labour Officer was successful in improving industrial relations.

1936 The Payment of Wages Act (Regulating the deductions from Wages) was passed.

1937 Provincial Labour Legislations were passed in Bombay. For example, Bombay Industrial Disputes Act, Maternity Benefits Act in Bengal etc.

*Widespread strikes were organised in Jute Mills in Bengal. A number of proposals were made to call off the strikes by the provincial labour minister like establishment of Employment Bureau, Service Records for individual workers, hearing complaints etc.

*Bengal Government appointed Labour Commission. Indian Jute Mills Associated agreed to appoint Labour Officers. Indian Jute Mills Association appointed Labour Officers, who worked successfully. During the World War II period these Officers helped the workers by explaining to them important labour legislations. Indian Jute Mills Association published a paper called "Mazdoor."

1938 Bombay Mill Owners' Association published a booklet called "Recommendations of Labour Matters" which was revised in 1941. the object was to help the heads of department and labour officers dealing with wages, allowances, working hours, leave, appointments, discharge etc. It suggested a standard procedure for appointments and confirmation.

1939 Industrial Code under Bombay Industrial Disputes Act was constituted to settle the dispute under the standing procedure.

The pioneerwork done in Bombay during this period guided the development of personnel management after World War II.

1940 Government of Indian convened Labour Ministers' Conference which continued ever since with the representatives of employers and employees. Tata School of Social W[illegible] started [illegible] 1940 f[illegible] providing training in social welfare.

1942 *Tripartiate Labour Conference representing Government, employees and labour became a regular* feature of labour policy (Indian Labour Conference). The important objects were:

(i) Promotion of Uniformity in labour legislation.

(ii) Determination of a procedure for settlement of industrial disputes.

(iii)Consultations on all matters of industrial unrest.

*Indian Jute Mills' Association with the help of Calcutta University prepared training course for Labour Officers.

1943 Tripartite Labour Conference recommended the setting up of a machinery to enquire into wages and earnings, employment, housing and social conditions does not apply to the departmentally run public sector undertakings like Indian Railways. The Act was amended in 1972,1977 and 1980.

National Commission on Labour

1966 Government appointed the National Commission on Labour with Dr. P.B.Gajendragadkar as Chairman in order to review the changes in conditions of labour since independence and to report on existing conditions of labour, to review the existing legislative and other provisions to study and report on the levels of workers' earnings and the standard of living, social security measures, the state of relationship

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	between employees and employers. The labour laws and voluntary arrangements etc , and to make recommendations on the above matters.
1969	National Commission on Labour submitted its report. The National Commission on Labour (1969) says: "Over the last 20 years, the handling of labour Management relations is getting increasingly professionalised, adequate. Thus, the institution of personnel managers and professionals, though necessary, is not sufficient for industrial harmony. Persons who are drafted for work in these capacities belonging socially to the same group to which the union leaders belong. It is possible for the two to establish rapport. It has been the recent practice for them to discuss on a common platform issues which promote industrial harmony. While the views the personnel managers publicly hold about labour are employers' views, they seek and are expected to emphasis the workers' view point within the management as an organisation. Their standing in the organisation will naturally depend upon the personality of the members constituting high level management, but by and large, it could be said that they have served as a good link between employers and workers though very often workers have expressed dissatisfaction about the manner in which they have functioned." Consequent upon these developments, large organisations have started personnel departments in a few advanced industries, the Personnel Management has developed to such a level that their organisations appointed different specialist managers and developed different specialist departments within the personnel management like employment, training and development, wages and benefits, collective bargaining, industrial relations etc. some of the medium scale organisations have also been establishing persönnel departments. A few small scale industries started appointing Personnel Officer/Welfare Officer. Large organisations have also been appointing separate Managers- Specialists in Industrial Psychology, Behavioural Sciences and legal officers to advice on labour matters
1970	The Contract Labour (Regulations and Abolition Act was passed. The Act came into force from February 1971. it applies to every establishment in which 20 or more workmen are/or were employed on any day during the preceding 12 months as contract labour, and to every contactor who employs or employed on any day of the preceding 12 months more than 20 workmen.
1972	Payment of Gratuity Act was passed.
1972 to 1976	ILC did not meet during this period. National Apex Body (NAB) and State Apex Bodies (SAB) were set up in place of ILC in 1975. NABs and some SABs were dipartite in composition. These bodies were abolished and ILC was revived in May, 1977. The Tripartiate Labour Conference in its session in May, 1977 recommended a 30 member committee on Comprehensive Industrial Law which submitted its report and this was adopted by the Government in September, 1977. the bill prepared on the basis of this report was introduced in the Lok Sabha in August, 1978, but it could not be considered and lapsed as the parliament was dissolved. The proposed Industrial Relations Bill attempted to combine the three existing pieces of Central Legislation on Industrial Relations, the Trade Unions Act, 1926, The Industrial Employment (Standing Orders) Act, 1946 and the Industrial Disputes Act, 1947. It also included provisions relating to recognition of Trade Union and unfair practices like Bombay Industrial Relations Act, 1946 etc.
1980	Bonus was announced under Productivity Linked Bonus Scheme to the employees working in departmentally run Public Sector Undertakings like Indian Railways, Posts and Telegraphs.
1985	Miniistry Human Resources Development was set up in the Union Cabinet Many Organisations have started changing their personnel department as Departments of HRM and created HRD Departments.
1987	Emphasis has been shifted to various modern techniques of HRM like Role analysis, performance appraisal based on MBO, career planning and development, quality of work life organisational climate, organisational development, human resource development, motivation etc. Government is thinking or protecting the interests of employees in unorganised sectors like agriculture, shops and establishments, hotels domestic services etc. Development of HRM can also be studied through different phases of growth of HRM in India.
1995	Emphasis has been shifted to human resources development (HRD), management of cultural diversity, team work and participative management, Economic liberalisation and globalisation resulted in increased importance of HRM.

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1998	Emphasis on HRD, cultural diversity team work and participative management has been continuing. Further, the emerging areas are total quality in management in HRM, empowering the employees and developing empowered teams and integrating HRM with strategic management as top management realised that HRM is the core of core competencies of the 21st century corporations.

HRM in India

The Dynamics of Personnel/Human Resource Management (Personnel/HRM)

P/HRM (both terms used interchangeably) is a dynamic discipline as it mostly deals with ever-changing work settings, characterised by people having varied cultural, social and religious backgrounds, diverse goals, multifarious expectations and attitudes. The personnel scene itself has been changing quite dramatically over the years. Government regulations, competitive pressures, unionisation of employees, to exert a strong influence on the way the personnel function is carried out in various organisations. Further, the nature of the work goals, make-up of the workgroup, leadership style and experience also determine the effectiveness of P/HRM function in the long run. Over the years, employees have become more sophisticated in their demands for high quality work environments, adequate pay and benefits, proper training and career growth opportunities. All these factors compel human resource professionals to look for ways to improve their interactions with employees, other managers and outside groups in order to maximise worker productivity and satisfaction. However, as pointed out by Rudrabasavaraj, personnel administration in India, as it is interpreted, discussed and practised is largely static, legalistic and ritualistic. There seems to be a lot of confused thinking and a plain lack of awareness of what P/HRM is and how it can contribute to an organisation. To clear the 'fog' let's quickly run through the historical origins of personnel management followed by the evolution of the concept of HRM in India.

History of Personnel/Human Resource Management (P/HRM)

The field of P/HRM as it currently exists, represents a crystalisation of a variety of historical and contemporary factors:

1. **The industrial revolution:** During this period machines were brought in; technology made rapid progress; jobs were more fragmented where the worker did only a small portion of the total job; and specialisation increased speed and efficiency but left workers with dull, boring and monotonous jobs. Workers were treated like 'glorified machine tools'. Employers were keen to meet production targets rather than satisfy workers' demands. Government did very little to protect the interests of workers.
2. **Scientific management:** To improve efficiency and speed F W Taylor advocated scientific management. Scientific management is nothing but a systematic analysis and breakdown of work into its smallest mechanical elements and rearranging them into their most efficient combination. In addition to the scientific study of the task itself, Taylor argued that individuals selected to perform the tasks should be as perfectly matched, physically and mentally, to the requirements of the task as possible and that overqualified individuals should be excluded. Employees should also be trained carefully by supervisors to ensure that they performed the task exactly as specified by prior scientific analysis. A differential piece rate system was also advocated by Taylor to provide an incentive for employees to follow the detailed procedures specified by supervisors.
3. **Trade unionism:** Workers joined hands to protect against the exploitative tendencies of employers and the prohibitive, unfair labour practices through unions. Unions tried to improve the lot of workers through collective bargaining, resolving the grievances of workers relating to working conditions, pay and benefits, disciplinary actions, etc.
4. **Human relations movement:** The famous Hawthorne experiments conducted by Elton Mayo and his Harvard colleagues during 1930s and 1940s demonstrated that employee productivity was affected not only by the way the job was designed and the manner in which employees were rewarded economically, but by

certain social and psychological factors as well. The human relations movement led to the wide scale implementation of behavioural science techniques in industry for the first time which included supervisory training programmes, emphasizing support and concern for workers, programmes to strengthen the bonds between labour and management and counselling programmes whereby employees were encouraged to discuss both work and personal problems with trained counsellors. The movement was also influenced by the growing strength of unions during the late 1930s and 1940s. The rise of unionism during this period was due to the passage of the Wagner Act which gave workers the legal right to bargain collectively with employers over matters concerning, wages, job security, benefits and many other conditions of work.

5. **Human resources approach:** However, during early 60s the 'pet milk theory', (advocating that happy workers are productive workers or happy cows give more milk) of human relationists had been largely rejected. Recognising the fact that workers are unique in their own way - having individual needs. It was recognised that each employee is a unique and highly complex individual with different wants, needs and values. What motivates one employee may not motivate another and being happy or feeling good may have little or no impact on the productivity of certain employees. Slowly but steadily, the trend towards treating employees as resources or assets emerged.

   "The Human Resource Approach assumes that the job or the task itself is the primary source of satisfaction and motivation to employees ... the emphasis in the human resource approach is on individual involvement in the decisions made in the organisation'. In addition, this approach emphasises the following things.

   - People do not inherently dislike work if they have helped establish objectives they want to achieve them.
   - Most people can exercise a great deal more self-direction, self-control and creativity than are required in their current jobs (Theory Y).
   - The managers' basic job is to use the untapped human potential in the service of the organisation.
   - The manager should create a healthy environment wherein all subordinates can contribute to the best of their capacities. The environment should provide a healthy, safe, comfortable and convenient place to work.
   - The manager should provide for self-direction by the subordinates and they must be encouraged to participate fully in all important matters.
   - Expanding subordinates' influence, self-direction and self-control will lead to direct improvements in operating efficiency.
   - Work satisfaction may improve as a 'by-product' of subordinates making full use of their potential.

The contribution of behavioural science to management practice consists primarily of producing new insights rather than new techniques. It has developed or expanded a useful way of thinking, about the role of the manager, the nature of organisations and the behaviour of an individual within an organisation.

Evolution of the Concept of HRM

The early part of the century saw a concern for improved efficiency through careful design of work. During the middle part of the century emphasis shifted to the availability of managerial personnel and employee productivity. Recent decades have focused on the demand for technical personnel, responses to new legislation and governmental regulations increased concern from the quality of working life, total quality management and a renewed emphasis on productivity. Let us look into these trends more closely by examining the transformation of personnel function from one stage to another in a chronological sequence:

Table 3.1: Evolution of the Personnel Function

The Commodity concept	Labour was regarded as a commodity to be bought and sold. Wages were based on demand and supply. Government did very little to protect workers.
The Factor of Production concept	Labour is like any other factor of production, viz., money, materials, land, etc. Workers are like *machine tools*.
The Good will concept	Welfare measures like safety, first air, lunchroom, rest room will have a positive impact on workers' productivity.
The Paternalistic concept/	Management must assume a fatherly and protective attitude
Paternalism	towards employees. Paternalism does not mean merely providing benefits but it means satisfying various needs of the employees as parents meet the requirements of the children.
The Humanitarian concept	To improve productivity, physical, social and psychological needs of workers must be met. As Mayo and others stated, money is less a factor in determining output, than group standards, group incentives and security. The organisation is a social system that has both economic and social dimensions.
The Human Resource Concept	Employees are the most valuable assets of an organisation. There should be a conscious effort to realise organisational goals by satisfying needs and aspirations of employees.
The Emerging Concept	Employees should be accepted as partners in the progress of a company. They should have a feeling that the organisation is their own. To this end, managers must offer better quality of working life and offer opportunities to people to exploit their potential fully. The focus should be on Human Resource Development.

Human Resource Development vs. Personnel Function

According to Prof T V Rao, HRD is a process by which the employees of an organisation are helped in a continuous and planned way to: (1) acquire or sharpen capabilities required to perform various functions associated with their present or expected future roles; (2) develop their general capabilities as individuals and discover and exploit their own inner potentials for their own and/or organisational development purposes; (3) develop an organisational culture in which superior-sub-ordinate relationships, team work and collaboration among sub units are strong and contribute to the professional well-being, motivation and pride of employees.

In short HRD aims at helping people to acquire competencies required to perform all their functions effectively and make their organisation do well.

The differences between the traditional personnel management functions and HRD are given below (see Pareek and Rao 1981).

Table 3.2: Points of Difference between HRD and Personnel

Personnel Function	Points of distinction	HRD
Maintenance oriented	Orientation	Development oriented.
An independent function with independent sub-functions	Structure	Consists of inter-dependent parts.
Reactive function, responding to events as and when they take place	Philosophy	Proactive function, trying to anticipate and get ready with appropriate responses
Exclusive responsibility of *personnel department*	Responsibility	Responsibility of all managers in the organisation.
Emphasis is put on monetary rewards	Motivators	Emphasis is on higher-order needs such as - how to design

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		jobs with stretch, pull and challenge; how to improve creativity and problem solving skills, how to empower people in all respects, etc.
Improved performance is the result of improved satisfaction and morale	Outcomes	Better use of human resources leads to improved satisfaction and morale.
Tries to improve the efficiency of people and administration.	Aims	It tries to develop the organisation as a whole and its culture.

Growth in India

Early phase: Though it is said that P/HRM is a discipline is of recent growth, it has had its origin dating back to 1800 B.C. For example: the minimum wage rate and incentive wage plans were included in the Babylonian Code of Hammurabi around 1800 B.C. The Chinese, as early as 1650 B.C had originated the principle of division of labour and they understood labour turnover even in 400 B.C. The span of management and related concepts of organisation were well understood by Moses around 1250 B.C and the Chaldeans had incentive wage plans around 400 B.C. Kautilya, in India (in his book Arthasastra) made reference to various concepts like job analysis, selection procedures, executive development, incentive system and performance appraisal.

Legal Phase: The early roots of HRM in India could be traced back to the period after 1920. The Royal commission on labour in 1931 suggested the appointment of labour officers to protect workers' interests and act as a spokesperson of labour. After Independence, The Factories Act 1948, made it obligatory for factories employing 500.

Table 3.3: Responsibilities of the Welfare Officer

The model rules framed under the Factories Act, 1948, which was the pioneering legislation to provide for the appointment of Welfare Officers, had laid down a chart of responsibilities for them. These responsibilities are:

1. Supervision of
   (a) Safety, health and welfare programmes, such as housing, recreation, sanitation services as provided under law or otherwise.
   (b) Working of joint committees,
   (c) Grant of leave with wages as provided and
   (d) Redressal of workers' grievances
2. Counselling workers in personal and family problems,
   (a) adjusting to the work environment and
   (b) understanding rights and privileges
3. Advising the management in
   (a) formulating labour and welfare policies,
   (b) apprenticeship-training programmes,
   (c) meeting the statutory obligation to workers,
   (d) developing fringe benefits and
   (e) workers' education and the use of communication media.
4. Liaison
   (a) with workers so as to
      (i) understand various limitations under which they work,

(ii) appreciate the need for harmonious industrial relations in the plant,

(iii) interpret company policies to workers and

(iv) persuade them to come to a settlement in case of a dispute.

(b) with the management as to

(i) appreciate the workers' viewpoints in various matters in the plant,

(ii) intervene on behalf of the workers in matters under consideration of the management.

(iii) Help different departmental heads to meet their obligations under the Act.

(iv) Maintain harmonious industrial relations in the plant and

(v) Suggest measures for promoting the general well-being of workers,

(c) with workers and the management so as to

(i) maintain harmonious industrial relations in the plant,

(ii) have the way for prompt redressal of grievances and the quick settlement of disputes and

(iii) improve the productive efficiency of the enterprise.

(d) with outside agencies, such as

(i) factory inspectors, medical officers and other inspectors for securing the people enforcement of various acts as applicable to the plant and

(ii) other agencies in the community, with a view to helping workers to make use of community services.

"In view of legal compulsions and the enumeration of duties the entire approach of organisations toward their personnel was to comply with the laws and keep the welfare officers busy with routine functions (N.K Singh p.7)" Meanwhile two professional bodies, viz., the Indian Institute of Personnel Management (IIPM) Calcutta and the National Institute of Labour Management (NILM) Mumbai have come into existence in 1950s.

Welfare phase: During the 1960s the scope of personnel function has expanded a bit, covering labour welfare, participative management, industrial harmony, etc. "In this period, the human relations movement of the West had also had its impact on Indian organisations". The legalistic preoccupations slowly gave way to harmonious industrial relations and good HR practices.

Development phase: In 1960s and 70s the HR professionals focused more on developmental aspects of human resources. The emphasis was on striking a harmonious balance between employee demands and organisational requirements. HRD has come to occupy a centre stage and a focal point of discussion seminars, conferences and academic meets. The two professional bodies, IIPM and NILM, were merged to form the National Institute of Personnel Management (NIPM) at Calcutta.

The following table captures the picture more accurately:

Table 3.4: Personnel Function: Changing Scenario

Period	Emphasis	Status	Roles
1920 - 30	Welfare management Paternalistic practices	Clerical	* Welfare administration * Policeman
1940 - 60	Expanding the role to cover Labour, Welfare, Industrial Relations and Personnel Administration	Administrative	* Appraiser * Advisor * Mediator * Legal advisor

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			* Fire fighting
1970 - 80	Efficiency, effectiveness dimensions added Emphasis on human values, aspirations, dignity, usefulness	Developmental	* Change agent * Integrator * Trainer * Educator
1990s onwards	Incremental productivity gains through human assets	Proactive, growth-oriented	* Developer * Counsellor * Coach * Mentor * Problem solver

Human Resources Management in Practice in India

i. ***Low status:*** Though much has been said in the literature about the significance of human resources, i.e., it is superior to all other resources, it has not been given as much importance as financial and material resources. Consequently, personnel managers are assigned lower status compared to Finance Managers, Production Managers and Marketing Managers. In some other organisations, though he is given equal status in the organisational hierarchy, he is normally looked down and at times discounted by the General Manager in his interaction with his immediate subordinates. Many a times, HRM is branded as a clerical activity only. In recent years, however, the situation in most private sector units and some of the public sector units has changed dramatically with personnel professionals being preferred to others while assuming top managerial assignments.

ii. ***No initiative:*** Much has been said about the modern techniques in the literature like sensitivity training, grid system, management by objectives, structured insight, business games, operations research in manpower planning, mathematical models for manpower planning, psychological tests, performance appraisal based on MBO concept, quality circle, career planning and development, improving the quality of work-life and like. But very few organisations in India have taken initiative to practise these modern techniques.

iii. ***Split personalities:*** The personnel men in various organisations now are torn between fancied notions of modern techniques and tools (MBO, grid training, performance appraisal techniques, sensitivity training etc.) and their environment having medieval organisational structures and practices.

iv. ***Lip service:*** Quite often, personnel managers do not practice leadership techniques in a fair manner, though they try to sermonise in management seminars. They pose that they are just, equal and fair to all employees in executing various personnel policies. But, in practice, they show favouritism to some, do injustice to others and in the process discriminate one against another in implementing personnel policies like promotion, transfer, performance appraisal, etc.

v. ***Non-cooperation:*** It is also pointed out that top management as well as employees do not wholeheartedly cooperate with the Personnel Manager in implementing various new techniques. Managers take the training programmes as paid holidays. Participation is not sincere and wholehearted. Their contributions in the quality circles programmes and participative management techniques in most cases are mediocre. Management is also equally responsible for this sorry state of affairs as it does not motivate/encourage them to participate.

Impediments to The Progress of P/HRM in India

The above analysis shows that there has been a yawning gulf between the theory and practice of P/HRM in India. Several factors are responsible for this situation. The important among them are:

·Section 49 of the Factories Act, 1948, requires Personnel officers to perform the functions relating to welfare, day-to-day personnel activities, industrial relations, etc. But the Personnel officers, who possess legal status, quite often, failed to secure the cooperation of line managers as personnel management is a line responsibility with staff function. Thus, the function of personnel management cannot be properly performed by a designated Personnel Manager alone.

·The attitude of employees, management and particularly line managers is not always favourable towards personnel manager. Peter F Drucker rightly stated that "The personnel manager tends to conceive his job partly as a file clerk's job, partly as a house keeping job, partly as a social worker's job and partly as a fire fighter to head off union trouble or settle it". Thus, the Personnel Manager is expected to advise, counsel and assist line managers. Such diverse roles could not be performed by people having very little power and authority.

- Personnel managers have to invariably depend on lawyers due to excessive legalistic approach to labour problems. In view of his preoccupation with litigation, he cannot to other important duties.
- India's tradition-bound family management and authoritarian culture prevents the development of personnel management, along sound lines as the former's objective has always been profit maximisation through exploitation of labour.
- Absence of training facilities necessary for the development of personnel management as a profession, absence of job security and job satisfaction, absence of professional attitude towards the personnel management also contribute to the pathetic state of affairs that surround personnel people everywhere.
- Personnel executives generally have a short range perspective and as a result they confine themselves to internal needs.
- The educational and research institutes have not yet taken concrete steps to work with the industries actively so as to speed up the process of professionalisation of personnel management in the country.
- Personnel people find themselves in low status positions because of lack of exposure to various challenging

assignments and tasks in and outside the organisation.

- Reluctance on the part of personnel people to adapt, accept challenging jobs and to move from organisation job to another for betterment.
- The legalistic approach to personnel management, wherein management tries to solve labour problems by depending heavily on various pieces of labour legislation has impeded the growth of personnel management along desired lines in India.
- Tradition-bound family management aims at profit maximisation even today. Its mode of profit maximisation is through the minimisation of cost, included labour cost, as it views human resources as a cost centre rather than as a profit centre.
- Most of the personnel managers do not have the requisite qualifications, abilities, creative skills, talents, etc., to win over the line managers. As such the line managers look down upon the personnel managers in most organisations.
- In some organisations, personnel function is placed at third or fourth level in the organisational hierarchy or in some organisations even under the supervision of production managers.

These troubling impediments have prevented the development of personnel management along sound lines in the recent past. However, the situation is not all that bad if the following measures are kept in mind while positioning the personnel departments in present-day organisations.

Measures to Speed up The Growth of P/HRM in India

Employers, managers, workers and the various institutes imparting personnel management education and training should take up the challenging task of developing the techniques, literature on P/HRM and practice them in Indian organisations.

1. At the first instance, institutes like National Institute of Personnel Management, Calcutta. Xavier Labour Relations and Human Resources, New Delhi, various universities, Ministry of Human Resources Development should be charged with the obligation of developing, changing and moulding the attitudes, values, ethics, traits, aspirations, demands and the like of owner managers, employed managers, personnel managers and personnel towards the growth and vitality of personnel management function.
2. Further, top management should place the personnel department at a level equal to other functional departments in the organisational hierarchy and give importance to personnel managers at par with other functional managers in marketing, finance, etc.
3. The legal and welfare roles of the personnel managers should be adequately integrated with human relations and management roles.

5. The job analysis of personnel manager should be written strictly in accordance with the job and latest developments. Candidates for personnel manager's job should be selected strictly in accordance with the requirements of the job.
6. Personnel managers should be creative and adaptive. They should act as change agents rather that confining themselves to conventional roles of welfare officers, labour law officer, canteen supervisors, etc.
7. Personnel management function should be professionalised in industries and organisations of various sizes.

Terminology

- ***Management:*** The process of efficiently achieving the objectives of the organisation with and through people.
- ***HRM:*** A process of bringing people and organisations so that the goals of each one is met, effectively and efficiently.
- ***Purpose of HRM:*** HRM seeks to improve the productive contributions of people to the organisation in ways that are ethically and socially responsible.
- ***System:*** Two or more parts working together as an organised whole with clear boundaries.

  Productivity: The ratio of an organisation's outputs to its inputs.
- ***Reengineering:*** Occurs with more than 70 per cent of the work processes are evaluated and altered.
- ***Empowerment:*** Allowing employees more control over what they do on the job.

Future of HRM

One of the important duties of the modern manager is to get things done through people. He has to bring employees into contact with the organisation in such a way that the objectives of both groups are achieved. He must be interested in the people, the work and the achievement of assigned objectives. To be effective, he must balance his concerns for peopl ..nd work. In other words, he must know how to utilise human as well as non-human resources while translating goals into action. It is in managing human assets that the manager's capabilities are tested fully, because:

Table 3.5: People are Different!

• Human resources are heterogeneous. They consist of many different individuals, each of whom , a unique personality, a combination of different emotional responses to different stimuli and different values, attitudes, motives and modes of thought.
• Human beings behave in widely differing and complicated ways. Their reactions to promises, praise or criticism, for example, can be quite different. It is very difficult to predict their behaviour especially in an organisation where they work in groups. Their behaviour is neither consistent nor readily predictable.
• Modern employees are better educated, possess greater skills, have more sophisticated technology available for their use and enjoy higher standards of living than previous generations.
• A human being himself determines what he contributes. If he is motivated, he will work for an orga...ation more efficiently and effectively.

So, it must be recognised by the manager that individuals, not organisations, create excellence. Recognising the importance of the human element in the production process, PF Drucker had remarked that "man, of all the resources available to man, can grow and develop". The problem of establishing the right climate to maximise employee motivation and commitment is still with us.

The Challenge of Human Resource Management

The most significant resource of any organisation is often said to be its people. Such claims appear in orgainsations' annual reports and mission statements. Of course, an organisation is nothing but a group of people whose activities have been planned and coordinated to meet organisational objectives. An organisation that exists to produce goods and services has a good chance to survive and prosper if it consists of the Right People. This is true for all organisations. In a similar fashion, people need organisations. The vast majority of people must work to support themselves and their families. But people work for many reasons other than economic security. For example, many also work to keep busy and feel useful, to create and achieve something. They want to gain recognition and achieve status or to test and stretch their capabilities. To meet these multifarious needs, people and organisations join forces. Unfortunately, this union seldom approaches perfection. Organisations encounter several obstacles in meeting their goals and in a similar way all employees report some problems in their attempts to be productive and efficient in their jobs and to feel satisfied in their work lives. The challenge of human resource management is to min... se these obstacles and problems.

Box 3.1: Personnel Directors are New Corporate Heroes

The name of the game in business today is personnel .... You can't hope to show a good financial or operating report unless your personnel relations are in order and I don't care what kind of a company you are running. A chief executive is nothing without his people. You got to have the right ones in the right jobs for them and you got to be sure employees at every level are being paid fairly and being given opportunities for promotion. You can's fool them and any chief executive who tries is going to hurt himself and his company.

— *Herbert E Meyer, Fortune, Feb. 1976, p.68*

The central challenge facing society is the continued improvement of our organisations, both private and public. Another important purpose of human resource management is to improve the contribution made by people to organisations, (Davis, p.24) through effective and efficient use of resources. Efficient means that it must use the minimum amount of resources needed to produce results. Effective means producing right things through right ways. The resultant productivity (ratio of output to input) gains obtained through HR efforts enable managers to reduce costs, save scarce resources, enhance profits and offer better pay, benefits and working conditions to employees

Readings

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Chapter 4
Recruitment

Introduction

After having determined the number and kinds of personnel required, the Human Resource or Personnel Manager proceeds with identification of sources of recruitment and finding suitable candidates for employment. Both internal and external sources of manpower are used depending upon the types of personnel needed.

The selection procedure starts with the receipt of applications for various jobs from the interested candidates. Totally unsuitable candidates are rejected at the screening stage. The personnel department administers various kinds of tests to the candidates to determine if they would be able to do their jobs efficiently. Those passing this stage are called for employment interview. Candidates found suitable for employment are required to go through medical examination and reference checking. The employment process is completed when appointment letters are issued to the candidates clearing all the stages in the selection procedure.

Meaning of Recruitment

The process of identification of different sources of personnel is known as recruitment. According to Edwin B. Flippo, "*Recruitment is the process of searching the candidates for employment and stimulating them to apply for jobs in the organisation*". It is a linking activity that brings together those offering jobs and those seeking jobs.

Dale S. Beach observed, "*Recruitment is the development and maintenance of adequate manpower resources. It involves the creation of a pool of available labour upon whom the organisation can draw when it needs additional employees.*" Recruitment refers to the attempt of getting interested applicants and providing a pool of prospective employees so that the management can select the right person for the right job from this pool. Recruitment precedes the selection process, i.e., selection of right candidates for various positions in the organisation.

Recruitment is a positive process as it attracts suitable applicants to apply for available jobs. The process of recruitment: (i) identifies the different sources of labour supply, (ii) assesses their validity, (iii) chooses the most suitable source or sources, and (iv) invites applications from the prospective candidates for the vacant jobs.

Once the required number and kind of human resources are determined, the management has to find the places where required human resources are/will be available and also find the means of attracting them towards the organisation before selecting suitable candidates for jobs. All this process is generally known as recruitment. Some people use the term 'recruitment' for employment. These two are not one and the same. Recruitment is only one of the steps in the entire employment process. Some others use the term recruitment for selection. These two terms are not one and the same either. Technically speaking the function of recruitment precedes the selection function and it includes only finding, developing the sources of prospective employees and attracting them to apply for jobs in an organisation, whereas the selection is the process of finding out the most suitable candidate to the job out of the candidates attracted (i.e., recruited). Formal definition of recruitment would give clear cut idea about the function of recruitment.

Definitions

Recruitment is defined as, "a process to discover the sources of manpower to meet the requirements of the staffing schedule and to employ effective measures for attracting that manpower in adequate numbers to facilitate effective selection of an efficient workforce."[1] Edwin B. Flippo defined recruitment as "the process of searching for prospective employees and stimulating them to apply for jobs in the organisation."[2] Those definitions can be analysed by discussing the processes of recruitment through systems approach.

Objectives of Recruitment

The objectives of recruitment are:

(i) to attract people with multi-dimensional skills and experiences that suit the present and future organisational strategies,

(ii) to induct outsiders with a new perspective to lead the company,

(iii) to infuse fresh blood at all levels of the organisation,

(iv) to develop an organisational culture that attracts competent people to the company,

(v) to search or head hunt/head pouch people whose skills fit the company's values,

(vi) to devise methodologies for assessing psychological traits,

(vii) to seek out non-conventional development grounds of talent,

(viii) to search for talent globally and not just within the company,

(ix) to design entry pay that competes on quality but not on quantum,

(x) to anticipate and find people for positions that do not exist yet.

Sub-systems of Recruitment

There are four sub-systems in recruitment which can be divided into further subsystems as shown in Fig. 4.1 It is clear from Fig. 4.1, that recruitment consists of the following sub-functions.

(a) Finding out and developing the sources where the required number and kind of employees are/will be available.

(b) Developing suitable techniques to attract the desirable candidates.

(c) Employing the techniques to attract candidates.

(d) Stimulating as many candidates as possible and asking them to apply for jobs irrespective of number of candidates required. Management has to attract more candidates in order to increase selection ratio (i.e., number of applications per one job vacancy) in order to select the most suitable candidates out of the total candidates available and due to lower yield ratio.3 Recruitment is positive as it aims at increasing the number of applicants and selection is somewhat negative as it selects the suitable candidates in which process the unsuitable candidates are automatically eliminated. Though, the function of recruitment seems to be easy, a number of factors make performance of recruitment a complex one.

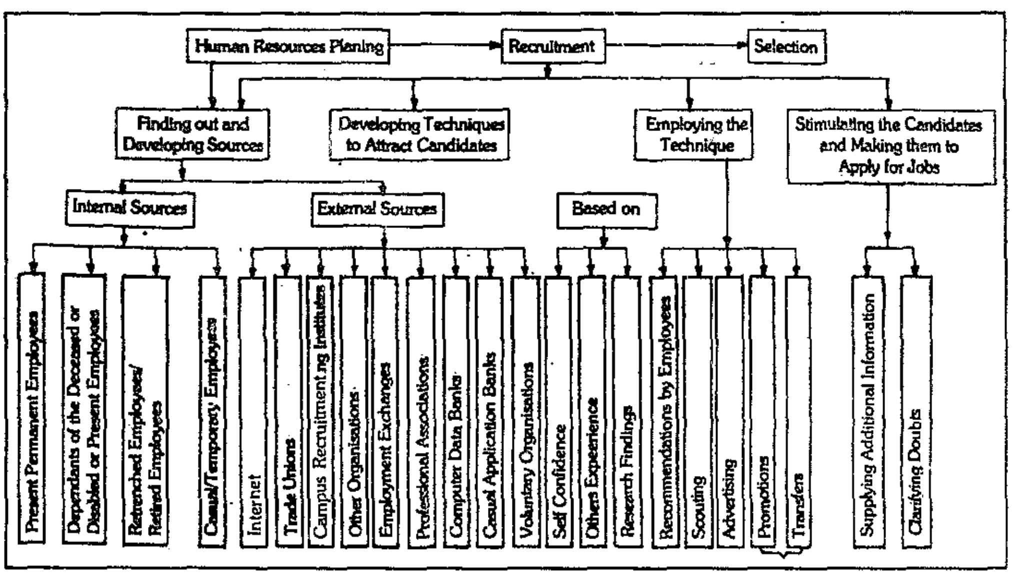

Figure 4.1

Factors Affecting Recruitment

Both internal and external factors affect recruitment. The external factors include supply of and demand for human resources, employment opportunities and /or unemployment rate, labour market conditions, political, legal requirement and government policies, social factors, information systems etc.

The internal factors include the company's pay package including salary, fringe benefits and incentives, quality of worklife, organisational culture, career planning and growth opportunities, size of the company, company's product/services, geographical spread of the company's operations viz., local, national or global, company's growth rate, role of trade unions and cost of recruitment. Figure 4.2 presents the factors affecting the recruitment.

Factors Affecting Recruitment

Internal Factors

- Company's Pay Package
- Quality of Worklife
- Organisational Culture
- Career Planning and Growth
- Company's Size
- Company's Products/Services
- Geographical Spread of the Company's Operations
- Company's Growth Rate
- Role of Trade Unions
- Cost of Recruitment
- Company's Name and Fame

External Factors

- Socio-economic Factors
- Supply and Demand Factors
- Employment Rate
- Labour Market Conditions
- Political, Legal and Governmental Factors like Reservations for SC/ ST/BC and Sons-of-soil
- Information System like Employment Exchanges/Tele-recruitment like Internet.

Figure 4.2

Recruitment forms the first stage in the process which continues with selection and ceases with the placement of the candidate. It is the next step in the procurement function, the first being the manpower planning. Recruitment makes it possible to acquire the number and types of people necessary to ensure the continued operation of the organisation. *Recruitment is the discovering of potential applicants for actual or anticipated organisational vacancies.* In other words, it is a 'linking activity' bringing together those with jobs and those seeking jobs.

As Yoder and others point out: " Recruitment is a process to discover the sources of manpower to meet the recruitments of the staffing schedule and to employ effective measures for attracting that manpower in adequate numbers to facilitate effective selection of an efficient working force." Accordingly, the purpose of recruitment is to locate sources of manpower to meet job requirements and job specifications.

Recruitment has been regarded as the most important function of personnel administration, because unless the right type of people are hired, even the best plans, organisation charts and control systems would not do much good. Flippo views recruitment both as 'positive' and 'negative' activity. He says: "It is a process of searching for prospective employees and stimulating and encouraging them to apply for jobs in an organisation. It is often termed positive in that it stimulates people to apply for jobs to increase the 'hiring ratio,' i.e., the number of applicants for a job. Selection, on the other hand tends to be negative because, it rejects a good member of those who apply, leaving only the best to be hired."

Steps on Recruitment Process

According to Famularo, personnel recruitment process involves five elements, viz., a recruitment policy, a recruitment organisation, a forecast of manpower, the development of sources of recruitment, and different techniques used for utilising these sources, and a method of assessing the recruitment programme shows the place of recruitment in the entire selection process.

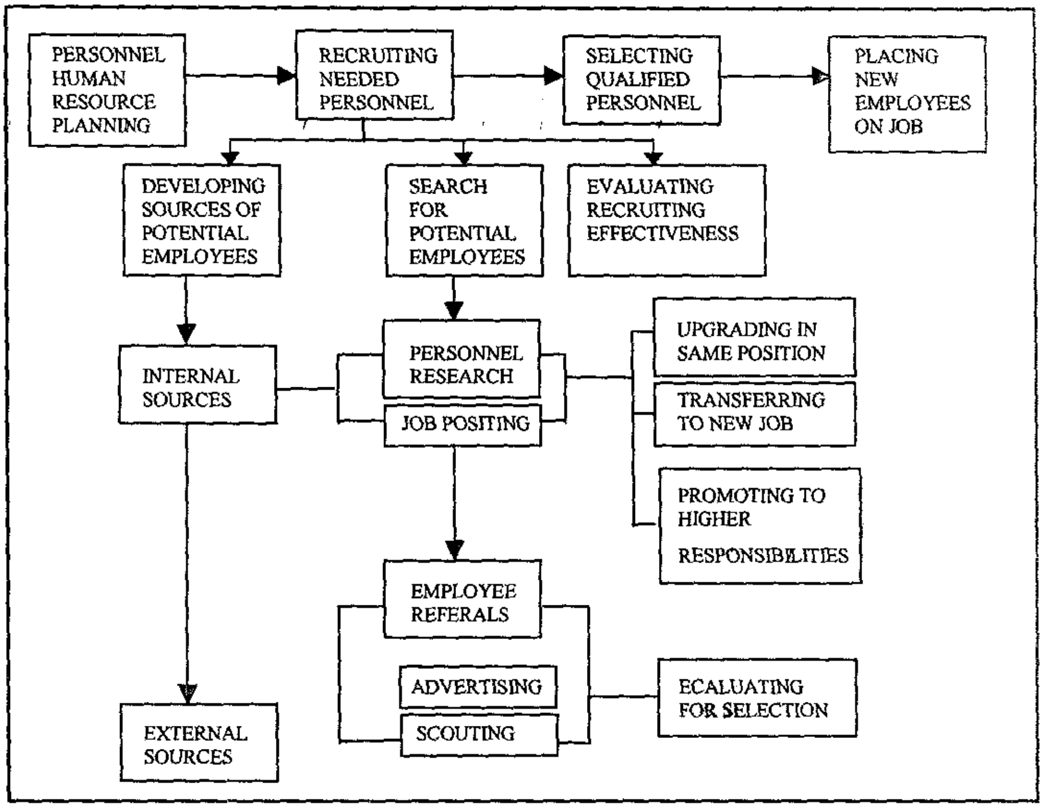

Figure 4.3: Place of Recruitment in Selection System.

Characteristics of a Good Recruitment Policy

Recruitment Policy

Such a policy asserts the objectives of the recruitment and provides a framework of implementation of the recruitment programme in the form of procedures. As Yoder and others observe:

"Such a policy may involve a commitment to broad principles such as filling vacancies with the best qualified individuals. It may embrace several issues such as extent of promotion from within, attitudes of enterprise in recruiting its old employees; handicaps, minority groups, women employees, part-time employees, friends and relatives of present employees. It may also involve the organisation system to be developed for implementing recruitment programme and procedures to the employed."

Therefore, a well considered and pre-planned recruitment policy, based on corporate goals, study of environment and the corporate needs, may avoid hasty or ill-considered decisions and may go a long way to man the organisation with the right type of personnel.

A good recruitment policy must contain these elements:

a. ***Organisation's objectives:*** both in the short-term and long-term - must be taken into consideration as a basic parameter for recruitment decisions and needs of the personnel - area-wise, job family-wise.

b. ***Identification of the recruitment needs*** to be taken decisions regarding the balance of the qualitative dimensions of the would be recruits i.e., the recruiters should prepare profiles for each category of workers and accordingly work out the man specifications, decide the sections, departments or branches where they should be placed and identify the particular responsibilities which may be immediately assigned to them;

c. ***Preferred sources of recruitment,*** which would be tapped by the organisation e.g., for skilled or semi-skilled manual workers, internal sources and employment exchanges may be preferred; for highly specialised categories and managerial personnel, other sources besides he former, may be utilised.

d. ***Criteria of selection and preferences:*** These should be based on conscious thought and serious deliberations. In some cases trade unions may be consulted in working out he recruitment policy. In others, management may take the unilateral decision.

e. ***The cost of recruitment and financial implications of the same.***

A "recruitment policy," in its broadest sense, "involves a commitment by the employer to such general principles as:

(i) To find and employ the best qualified persons for each job;

(ii) To retain the best and most promising of those hired;

(iii) To offer promising opportunities for life-time working careers; and

(iv) To provide programmes and facilities for personal growth on the job

According to Yoder, "the recruitment policy is concerned with quality and qualifications (viz., and Q1 and Q2) of manpower." It establishes broad guidelines for the staffing process. Generally, the following factors are involved in a recruitment policy."

(i) To carefully observe the letter and spirit of the relevant public policy on hiring and, on the whole, employment relationship;

(ii) To provide individual employees with the maximum of employment security, avoiding frequent lay-off or lost time;

(iii) To provide each employee with an open road and encouragment in the continuing development of his talents and skills;

(iv) To assure each employee of the organisation interest in his personal goals and employment objectives;

(v) To assure employees of fairness in all employment relationships, including promotions and transfers;

(vi) To avoid cliques which may develop when several members of the same household or community are employed in the organisation;

(vii) To provide employment in jobs which are engineered to meet the qualifications of handicapped workers and minority section; and

(viii)To encourage one or more strong, effective, responsible trade unions among the employees.

Principles of Recruitment

The recruitment policy of an organisation must satisfy the following conditions:

(i) It should be in conformity with its general personnel policies;

(ii) It should be flexible enough to meet the changing needs of an organisations;

(iii) It should be so designed as to ensure employment opportunities for its employees on a long-term basis so that the goals of the organisation should be achievable; and it should develop the potentialities of employees;

(iv) It should match the qualities of employees with the requirements of the work for which they are employed; and

(v) It should highlight the necessity of establishing job analysis.

The nature and extent of the recruitment programme depends on a number of factors, including the skills required, the state of the labour market, general economic conditions, and the image of the employer. A company which has a reputation of paying fair wages, providing good employee benefits and taking interest in employee welfare activities would attract a larger number of applicants than it needs without making any extra recruiting effort. Small companies which hire only a few persons each year may not need to do more than spread the word around the plant or office that a vacancy exists. However, as a result of regulations and pressures from society and the government, the recruitment programme now requires the employers to go out and actively seek job applicants from groups of those who may not otherwise apply for employment.

Recruitment Organisation

There is no general procedure for hiring new personnel which is applicable to all business enterprises. Each enterprise has its "tailor-made" procedure which brings it the desired quantity and quality of manpower at the minimum possible cost. The most commonly adopted practice is to centralise the recruitment and selection function in a single office. All employment activity should be centralised if the policies of the top management are to be implemented consistently and efficiently. Only when personnel requisitions go through one central source and all employment records are kept up-to-date is there a possibility of maximum efficiency and success in hiring.

The advantages of centralisation of recruitment and selection are:

(i) It reduces the administrative cost associated with selection by consolidating all activity in a single office;

(ii) It relieves line officers of the details involved in hiring workers, which is common under a decentralised plan;

(iii) It tends to make the selection of workers scientific;

(iv) It makes possible the development of a centralised manpower pool in a company;

(v) It provides a wider opportunity for placing an applicant in several departments of the company;

(vi) It tends to reduce favouritism as a basis for selection.

This centralised department is generally known as the Employee Office, or the Recruitment Section. The staff personnel is attached to it. This enables specialists to concentrate upon the recruitment function; and soon they become very efficient in the use of various recruitment techniques.

This office should be properly equipped with furniture. Its waiting room should be roomy, clean and well ventilated; it should have lighting facilities and drinking water, and it should be comfortable. This room should also have a table or a counter so that candidates may fill in their application blanks conveniently. It is desirable that personnel records be filled in a room accessible to the interviewer.

This office is concerned with the following functions:

(i) Establishing employment standards;

(ii) Making initial contact with prospective employees;

(iii) Conducting final interviews;

(iv) Testing;

(v) Conducting physical examinations;

(vi) Conducting final interviews;

(vii) Filling out necessary forms and record keeping;

(viii) Introducing the employee to his superior; and

(ix) Following up the employee.

It may be noted that in small orgainsation, recruiting procedure is merely informal and generally the "line official" may be responsible to handle this function. But in larger organisations, it is entrusted to a staff unit with Personnel or Industrial Relations Department. However, *recruitment remains the line responsibility as far as the personnel requisition forms are originated by the line personnel.*

Forecast of Manpower Requirements

This aspect has already been discussed in the previous chapter.

It is only to be stated here that a 'requisition' or an 'indent' for recruitment has to be submitted by the line official. Such 'indents' usually specify: (i) the jobs or operations or positions for which the persons should be available; (ii) duration of their employment; (iii) salary to be offered and any other conditions and terms of employment which the indenting officer feels necessary.

The indents are then checked against the posts allotted to the department/branch and also against authorisation for expansion , if already granted. Financial implications of the proposed appointments and additional expenditure are worked out - of course these would be within the budgetary sanctions of the department concerned. If the indents are found correct, the proposed recruitments are authorised and the initial pay, the scale and other admissible allowances are determined.

Finally, job-specifications are man-specifications are determined, in consultation with the line managers.

Sources of Recruitment

Before an organisation activity begins recruiting applicants, it should consider the most likely source of the type of employee it needs. Some companies try to develop new sources, while most only try to tackle the existing sources they have. These sources, accordingly, may be termed as internal and external as shown in Figure 4.4.

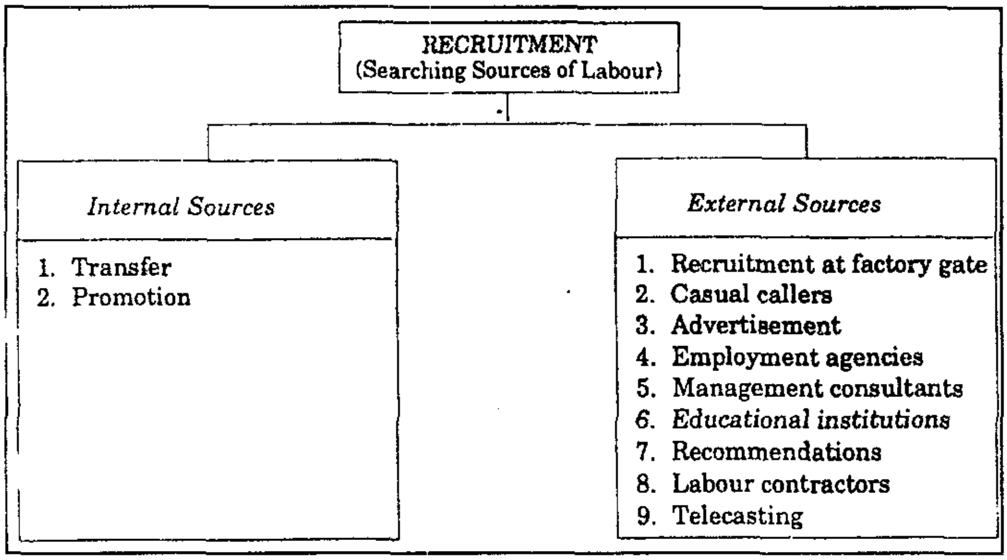

Figure 4.4: Sources of Recruitment.

Internal Sources

There are two important internal sources of recruitment, namely, transfers and promotions which are discussed below .

(i) ***Transfer. It involves the shifting of an employee from one job to another, one department to another or from one shift to another.*** Transfer is a good source of filling vacancies with employees from overstaffed departments or shifts. At the time of transfer. it should be ensured that the employee to be transferred to another job is capable of performing it. In fact, transfer does not involve any drastic change in the responsibilities, pay and status of the employee. Transfers or job rotations are also used for training of employees in learning different jobs.

(ii) ***Promotion:*** It leads to *shifting an employee to a higher position, carrying higher responsibilities, facilities, status and pay.* Many companies follow the practice of filling higher jobs by promoting employees who are considered fit for such positions. Filling vacancies in higher jobs from within the organisation has the benefit of motivating the existing employees. It has a great psychological impact over the employees because a promotion at the higher level may lead to a chain of promotions at lower levels in the organisation.

Internal sources are the most obvious sources. These include personnel already on the pay-roll of an organisation, i.e., its present working force. Whenever any vacancy occurs, somebody from within the organisation is upgraded, transferred, promoted of sometimes demoted. This source also includes personnel who were once on the pay-roll of the company but who plan to return or whom the company would like to rehire, such as those on leave of absence, those who quit voluntarily, or those on production lay-offs.

Merit: The use of an internal source has some merits:

(i) It improves the morale of employees, for they are assured of the fact that they would be preferred over outsiders when vacancies occur.

(ii) The employer is in a better position to evaluate those presently employed than outside candidates. This is because the company maintains a record of the progress, experience and service of its employees.

(iii) It promotes loyalty among the employees, for it gives them a sense of job security and opportunities for advancement.

(iv) As the persons in the employment of the company are fully aware of, and well acquainted with, its policies and know its operating procedures, they require little training, and the chances are that they would stay longer in the employment of the organisation than a new outsider would.

(v) They are tried people and can, therefore, be relied upon.

(vi) It is less costly than going outside to recruit.

Demerits: However, this system suffers from certain defects as well.

(i) It often leads to inbreeding, and discourages new blood from entering an organisation.

(ii) There are possibilities that internal sources may "dry up", and it may be difficult to find the requisite personnel from within an organisation.

(iii) Since the learner does not know more than the lecturer, no innovations worth the name can be made. Therefore, on jobs which require original thinking (such as advertising, style, designing and basic research), this practice is not followed.

(iv) As promotion is based on seniority, the danger is that really capable hands may not be chosen. The likes and dislikes of the management may also play an important role in the selection of personnel

This source is used by many orgainsations; but a surprisingly large number ignore this source, especially for middle management jobs. In other words, this source is the lode that is rarely mined. It is not only reasonable but wise to use this source, if the vacancies to be filled are within the capacity of the present employees; if adequate employee records have been maintained, and if opportunities are provided in advance for them to prepare themselves for promotion from "blue-collar" to "white-collar" jobs.

External Sources

Every enterprise has to tap external sources for various positions. Running enterprises have to recruit employees from outside for filling the positions whose specifications cannot be met by the present employees, and for meeting the additional requirements of manpower. The following external sources of recruitment are commonly used by the big enterprises:

(i) ***Direct Recruitment:*** An important source of recruitment is direct recruitment by placing a notice on the notice board of the enterprise specifying the details of the jobs available. It is also known as recruitment at factory gate. The practice of direct recruitment is generally followed for filling casual vacancies requiring unskilled workers. Such workers are known as casual or badli workers and they are paid remuneration on daily-wage basis.

This method of recruitment is very cheap as it does not involve any cost of advertising vacancies. It is suitable for filling casual vacancies when there is greater rush of work or when a number of permanent workers are absent.

(ii) ***Casual Callers or Unsolicited Applications:*** The organisations which are regarded as good employers draw a steady stream of unsolicited applications in their offices. This serves as a valuable sources of manpower. If adequate attention is paid to maintain pending application folders for various jobs, the personnel department may find the unsolicited applications useful in filling the vacancies whenever they arise. The merit of this source of recruitment is that it avoids the costs of recruiting workforce from other sources.

(iii) ***Media Advertisement:*** Advertisement in newspapers or trade and professional journals is generally used when qualified and experienced personnel are not available from other sources. Most of the senior positions in industry as well as commerce are filled by this method. The advantage of advertising is that more information about the organisation, job descriptions and job specifications can be given in advertisement to allow self-screening by the prospective candidates. Advertisement gives the management a wider range of candidates from which to choose. Its disadvantage is that it may bring in a flood of response, and many times, from quite unsuitable candidates.

(iv) ***Employment Agencies:*** Employment exchanges run by the Government are regarded as a good source of recruitment for unskilled, semi-skilled and skilled operative jobs. In some cases, compulsory notification of vacancies to the employment exchange is required by law. Thus, the employment exchanges bring the job givers in contact with the job seekers. o However, in the technical and professional area, private agencies and professional bodies appear to be doing most of the work. Employment exchanges and selected private agencies provide a nation-wide service in attempting to match personnel demand and supply.

(v) ***Management Consultants:*** Management consultancy firms help the organisations to recruit technical, professional and managerial personnel. They specialise in middle level and top level executive placements. They maintain data bank of persons with different qualifications and skills and even advertise the jobs on behalf their clients to recruit right type of personnel. These days, professional bodies of accountants, engineers, etc. also help their members to get suitable placements in industrial organisations.

(vi) ***Educational Institutions or Campus Recruitment:*** Jobs in commerce and industry have become increasing technical and complex to the point where school and college degrees are widely required. Consequently, big organisations maintain a close liaison with the universities, vocational institutes and management institutes for recruitment to various jobs. Recruitment from educational institutions is a well-established practice of thousands of business and other organisations. It is also known as campus recruitment. Reputed industrial houses which require management trainees send their officials to campuses of various management institutes for picking up talented candidates doing MBA. Organisations which seek applicants for continuing apprenticeship programme usually recruit from technical institutions or polytechnics offering vocational courses.

(vii) ***Recommendations:*** Applicants introduced by friends and relatives may prove to be a good source of recruitment. In fact, many employers prefer to take such persons because something about their background is known. When a present employee or a business friend recommends some one for a job, a type of preliminary screening is done and the person is placed on a job. Some organisations have agreements with the trade unions to give preference to blood relations of existing or retired employees if their qualifications and experience are suited to fill the vacant jobs.

(viii) ***Labour Contractors:*** Labour contractors are an important source of recruitment in some industries in India. Workers are recruited through labour contractors who are themselves employees of the organisation. The disadvantage of this system is that if the contractor leaves the organisation, all the workers employed through him will also leave. That is why, this source of labour is not preferred by many business, organisations. Recruitment through labour contractors has been banned for the public sector units. However, this practice is still common in case of construction industry.

(ix) ***Telecasting:*** The practice of telecasting of vacant posts over T.V. (Doordarshan and other channels) is gaining importance these days. Special programmes like 'Job Watch', 'Youth Pulse', 'Employment News', etc. over the T.V. have become quite popular in recruitment for various types of jobs. The detailed requirements of the job and the qualities required to do it are publicised alongwith the profile of the organisation where vacancy exists.

The use of T.V. as a source of recruitment is less as compared to other sources. The reasons for this are

(i) Telecasting is an expensive medium.

(ii) The advertisement for the job appears for a very short time and it is not repeated. The candidates may not be able to understand it fully.

(iii) The candidates who don't watch T.V. miss the information about job vacancies.

(iv) If there is a power failure in any area, the candidates living in such area miss the vacancies telecast. during the period of power failure.

Merits of External Sources

The merits of external sources of recruitment are as under:

(i) ***Qualified Personnel:*** By using external sources of recruitment, the management can make qualified and trained people to apply for vacant jobs in the organisation.

(ii) ***Wider Choice:*** When vacancies are advertised widely, a large number of applicants from outside the organisation apply. The management has a wider choice while selecting the people for employment.

(iii) ***Fresh Talent:*** The insiders may have limited talents. External sources facilitate infusion of fresh blood with new ideas into the enterprise. This will improve the overall working of the enterprise.

(iv) ***Competitive Spirit:*** If a company can tap external sources, the existing staff will have to compete with the outsiders. They will work harder to show better performance.

Demerits of External Sources

The demerits of filling vacancies from external sources are as follows :

(i) ***Dissatisfaction among Existing Staff:*** External recruitment may lead to dissatisfaction and frustration among existing employees. They may feel that their chances of promotion are reduced.

(ii) ***Lengthy Process:*** Recruitment from outside takes a long time. The business has to notify the vacancies and wait for applications to initiate the selection process.

(iii) ***Costly Process:*** It is very costly to recruit staff from external sources. A lot of money has to be spent on advertisement and processing of applications.

(iv) ***Uncertain Response:*** The candidates from outside may not be suitable for the enterprise. There is no guarantee that the enterprise will be able to attract right kinds of people from external sources.

Exhibit 4.1: Comparison of Internal and External Recruitment

Internal Sources	*External Sources*
1. Internal recruitment is a quick process. It involves search of candidates from within the organisation.	1. External recruitment is a lengthy process. It involves finding candidates from outside the organisation.
2. This process is cheaper. It does not involve any cost of contracting the external sources.	2. This process is costly as vacancies have to be notified in newspapers, etc.
3. The existing staff is motivated to improve their performance.	3. The workers feel dissatisfied if external sources are used.
4. Choice of candidates is limited. The scope of fresh talent is diminished.	4. The business can hope for talented candidates from outside. This means infusion of new blood and new ideas into the enterprise.

Recruitment Procedure

Responsibility for Recruitment

In a small organisation, recruitment is usually done rather informally by the owner or manager. But in a larger organisation, the human resource department is usually responsible for developing sources of applicants. Within the human resource department, there is likely to be an employment office to do the recruiting and even initial selection of candidates for a job. Big organisations employing large number of professional and managerial employees, may have a separate department engaged entirely in recruiting.

At the same time, individual managers and employees may be referring promising applicants to the personnel department. Similarly, the human resource department may be requesting recruitment assistance from the managers as may be the case when campus recruitment is proposed at the alma mater of one of the mangers. Still other firms prefer to put together recruiting teams consisting of human resource specialists and other executives. For example, one or more engineers may accompany the team of campus recruiters for recruitment of engineering personnel at technical institutes.

Regardless of who does the recruiting, it is important for one department to coordinate the recruitment function in order to develop adequate sources, avoid duplication, and ensure that human resource needs for the whole organisation are met.

Factors affecting Recruitment

There are many factors that limit or affect the recruitment policy of an organisation. The important factors are listed below :

(i) Size of the organisation and the kinds of human resources required. (ii) Effect of

past recruitment efforts. (iii) Nature of labour market of the region. (iv) Extent and strength of unionisation in the region. (v) Working conditions, wages and other benefits offered by other concerns. (vi) Social and political environment. (vii) Legal obligations created by various statutes.

Requisition for Recruitment

Recruitment is an on-going process whereby the firm attempts to develop a pool of qualified applicants for future human resource needs even though specific vacancies do not currently exist. This practice is also necessary to maintain contacts with sources of recruitment.

In most cases, recruitment starts when a manager initiates an employee requisition for a specific vacancy (or anticipated vacancy). The requisition should contain the basic information describing the position to be filled, the duties to be performed, and the experience and qualifications required of the candidate for the job. The standard format of a personnel requisition form is given in Figure 4.5.

PERSONNEL REQUISITION			TO		BY	DATE	
DATE REQUIRED	PAYROLL CLASSIFICATION		CODE	PAY GRADE		LOCATION OF WORK	
COST CENTRE	JOB NO.	EMPLOYEE WILL REPORT TO	DIVISION/DEPTT.	SECTION		SUPERVISOR	EXT.
NAME OF PERSON HIRED		EFFECTIVE DATE	SOCIAL SECURITY NO.			OTHER INFORMATION	
CONTACT FOR INTERVIEWS	EXT	TRAVEL REQUIRED	☐ YES ☐ NO			REFERRED BY	
DESCRIPTION OF DUTIES:							
EXPERIENCE AND QUALIFICATIONS REQUIRED—INDICIATE SPECIAL REQUIREMENTS e.g. SECURITY CLEARANCE, CITIZENSHIP, ETC.							
☐ REPLACEMENT FOR	☐ TRANSFERED	☐ QUIT	☐ DISCHARGED	☐ LAYOFF	☐ ————		
☐ NEW POSITION	GIVE BRIEF EXPLANATION						
SUGGESTED APPLICANT	NAME		HOW TO CONTACT				
	1.		1.				
	2.		2.				
REQUESTED BY	DATE		APPROVED BY		DATE		

Figure 4.5: Personnel Requisition Form.

Methods or Techniques of Recruitment

An author summaries the possible recruiting methods into three categories: direct, indirect and third party.

Direct Methods

These include sending travelling recruiters to educational and professional institutions, employees' contacts with public, and manned exhibits. One of the widely used direct methods is that of sending of recruiters to colleges and technical schools. Most college recruiting is done in co-operation with the placement office of a college. The placement office usually provides help in attracting students, arranging interviews, furnishing space, and providing student resumes. For managerial, professional and sales personnel, campus recruiting is an extensive operation. Persons reading for MBA or other technical diplomas are picked up in this manner. For this purpose, carefully prepared brochures, describing he organisation and the jobs it offers, are distributed among students, before the interviewer arrives. The DCM, TATAs and other enlightened firms maintain continuing contacts with institutions' placement officials with a view to recruiting staff regularly for different responsible positions.

Sometimes, firms directly solicit information from the concerned professors about students with an outstanding record.

Many companies have found employees' contact with the public a very effective method.

Other direct methods include sending recruiters to conventions and seminars, setting up exhibits at fairs, and using mobile offices to go to the desired centres.

Indirect Methods

Indirect methods involve mostly advertising in newspaper, on the radio, in trade and professional journals, technical magazines and brochures.

Advertising in newspapers and / or trade journals and magazines is the most frequently used method, when qualified or experienced personnel are not available from other sources. Senior posts are largely filled by promotion from within.

Advertising is very useful for recruiting blue-collar and hourly workers, as well as scientific, professional, and technical employees. Local newspaper can be a good source of blue-collar workers, clerical employees, and lower-level administrative employees.

The main point is that the higher the position is in the organisation, or the more specialised the skills sought, the more widely dispersed advertisement is likely to be. The search for top executive might include advertisements in a national periodical; while the advertisement of blue-collar jobs is usually confined to the daily newspaper or regional trade journals.

The classified advertisement section of a daily newspaper or the Sunday weekly editions of The Hindustan Times, The Times of India, The Tribune, Bharat Jyoti, The National Herald, Free Press Journal, The Pioneer, Amrit Bazar Patrika, Economic Times, The Hindu, The Indian Express, etc., carry advertisements for all types of positions. Such advertisements enable prospective candidates to screen themselves in order to find out whether they are fit for the job for which the advertisement has been issued.

In order to be successful, an advertisement should be carefully written. If it is not properly written, it may not draw the right type of applicants or it may attract too many applications who are not qualified for the job. It should be so framed as to attract attention -- for example, by the use of different sizes and types of print. The first line should limit the should limit the audience somewhat and the next few lines should further screen out the readers who do not possess the necessary qualifications. It should provide specific information on job requirements and opportunities for advancement, the benefits to be enjoyed by working in the company: and it should emphasise facts related to the dignity of the job and to its professional aspects... "Frilly advertisements, containing exaggerated claims and gimmicky appeals, are to be avoided." Advertising can be very effective if its media are properly chosen.

According to Advertisement Tactics and Strategy in Personnel Recruitment, three points need to be borne in mind before an advertisement is inserted. *First,* to visualise the type of applicant one is trying to recruit. *Second,* to write out a list of the advantages a company offers; in other words, why the reader should work for the company. *Third,* to decide where to run the advertisement, not only in which area but in which newspaper having a local, state or nation-wide circulation."

Many organisations often place what is referred to as a *blind advertisement,* one in which there is no identification of the organisation. Respondents are asked to reply to a 'Post Office Box Number' or to a consulting firm that is acting as an intermediary between the applicant and the organisation. The large organisations with regional or national reputation do not usually use blind advertisements.

Other methods include advertising in publications, such as trade and professional journals, and radio or television announcements, as is done by many Indian manufacturers. Professional journals are read by people with specialised backgrounds and interests. Therefore, advertisements in these are generally selective.

Third Party Methods

These include the use of commercial or private employment agencies, state agencies, placement offices of schools, colleges and professional associations, recruiting firms, management consulting firms, indoctrination seminars for college professors, and friends and relatives.

Private employment agencies are widely used. They charge a small fee from an applicant. They specialise in specific occupations: general office help, salesmen, accountants, computer staff, engineers and executives, these private agencies are brokers who bring employers and employees together. The specialisation of these agencies enhances their capacity to interpret the needs of their clients, to seek out particular types of persons and to develop proficiency in Recognising the talent of specialised personnel.

State or public employment agencies also known as *Employment or Labour Exchanges,* are the main agencies of public employment. They provide a clearing house for jobs and job information. Employers inform them of their personnel requirements, while job-seekers get information for them about the types of jobs that are referred to by employers. These agencies provide a wide range of services – counselling, assistance in getting jobs information about the labour market, labour and wage rates.

Schools, Colleges and Professional Institutions offer opportunities for recruiting their students. They operate placement services where complete bio-data and other particulars of the students are available. The companies that need employees maintain contact with the Guidance Counsellors of Employment Bureau and teachers of business and vocational subjects. The prospective employees can review credentials and interview candidates for management trainees or probationers. Whether the education sought involves a higher secondary certificate, specific vocational training or a collage background with a bachelor's, master's or doctoral degree, educational institutions provide an excellent source of potential employees for entry-level positions in orgainsations. These general and technical/ professional institutions provide blue-collar applicants, white-collar and managerial personnel.

Sometimes, the organisations provide Work Study Programme to the students or summer jobs for undertaking a project in the establishment so as to get them interested in the organisation in question, and after completion of this, they may be absorbed by the companies concerned.

Professional orgainsations or recruiting firms or executive recruiters maintain complete information records about employed executives. These firms are looked upon as 'head hunters', 'raiders' and 'pirates' by orgainsations which lose personnel through their efforts. However, these same organisations may employ "executive search firms" to help them find executive talent." These consulting firms recommend persons of high caliber for managerial, marketing, and production engineers' posts.

Indoctrination seminars for colleges professors are arranged to discuss the problem of companies and employees. Professors are invited to take part in these seminars. Visits to plants and banquets are arranged so that the participant professors may be favourable impressed. They may later speak well of a company and help it in getting the required personnel.

Employee Referrals: Friends and relatives of present employees are also a good source from which employees may be drawn. When the labour market is very tight, large employers frequently offer their employees bonuses or prizes for any referrals who are hired and stay with the company for a specific length of time. Some companies maintain a register of former employees who record was good to contact them when there are new job openings for which they are qualified. This method of recruitment, however, suffers from a serious defect that it encourages nepotism, i.e., persons of one's community or caste are employed, who may or may not be fit for the job.

Trade Unions also provide manual and skilled workers in sufficient numbers. Under agreement, they may agree as to who is to be given preference. But in case of adverse industrial relations, this technique may create difficulties.

Casual Labour of Applicant at the Gate. Most industrial units rely to some extent on the casual labour which presents itself daily at the factory gate or employment office. However, this source is uncertain, and the candidates cover a wide range of abilities. Even then, many of our industries make use of this source to fill up casual vacancies.

Unconsolidated Applications. For the positions in which large numbers of candidates are not available from other sources, the companies may gain in keeping files of applications received from candidates who make direct enquiries about possible vacancies on their own, or may send unconsolidated applications. The information may be indexed and filed for future use when there are openings in these jobs. If necessary, the candidates may be requested to keep the organisation posted with any change in their qualifications, experience or achievements made.

Voluntary Organisations. Such as private clubs, social orgainsations, might also provide employees – handicaps, widowed or married women, old persons, retired hands, etc., in response to advertisements.

Computer Data Banks. When a company desires a particular type of employee, job specifications and requirements are fed into a computer, where they are matched against the resume data stored therein. The output is a set of resumes for individuals who meet the requirements. This method is very useful for identifying candidates for hard-to-fill positions which call for an unusual combination of skills.

Which particular source is to be tapped will depend on the policy of a firm, the position of labour supply, Government regulations and agreements with labour orgainsations. However, the personnel manager must be in close touch with these different sources and use them in accordance with his needs. *The best management policy regarding recruitment is to look first within the organisation. If that source fails, external recruitment must be tackled.*

CHART 4.1

Recruiting Practices and a Firm's Position in the Labour Market

use of an internal source has some merits:

(i) It improves the

Degree of Tightness in the Labour Market	Sources Used for Recruitment	Area Covered for Recruitment
1. Most loose	Direct hiring	Immediate vicinity
2. Intermediate	Unions, friends and relatives;	Part of an urban industrial area private and public agencies
3. Tight	Advertising, nearby special	The whole urban industrial area sources (colleges, private agencies).
4. Most tight	Labour Scouting	Regional and national

According to Flippo, the present tendency among most business firms is to "home grow" their executive leaders. Koontz and O'Donnel rightly observe that the policy should be to "raise" talent rather than "raid" for it.

Recruitment Practices in India

The different sources for recruitment in India have been classified thus: *(i)* Within the organisation; *(ii) Badli* or temporary workers; *(iii)* Employment agencies; *(iv)* Casual callers; *(v)* Applicants introduced by friends and relatives in the organisation; *(vi)* Advertisements; and *(vii)* Labour contractors.

According to a survey of public and private sector employers by Prof. Basavaraj the following methods were used to recruit employees:

(a) In the public sector (steel units), the major sources of recruitment in order of preference are : *(i)* Casual callers or employment seekers; *(ii)* Newspaper advertisements; *(iii)* Scheduled tribes and scheduled castes; *(iv)* Employment exchanges; *(v)* Other public undertakings; *(vi)* Internal advertisement; *(vii)* Displaced persons; *(viii)* Relative and friends; *(ix)* Employee recommendations; and *(x)* Institutions.

In the public sector (heavy engineering), the sources for non-supervisory staff are: *(i)* Employment exchanges; *(ii)* External advertisement; *(iii)* Internal advertisement; *(iv)* Central training institute; *(v)* Introduction by the liaison officer of a corporation; *(vi)* Deputation personnel: and *(vii)* Transfers from other public undertakings.

(b) In the private sector, the survey disclosed that the procedures, though formulated, were not institutionalised in character. In some organisations, preference was given to sons and relatives of employees and to local people. In order of preference, the major sources are: *(i)* Advertisements; *(ii)* Employment exchanges; *(iii)* Relatives and friends; *(iv)* Casual callers; and *(v)* Employee recommendations.

Modern Sources and Techniques of Recruitment

A number of modern recruitment sources and techniques are being used by the corporate sector in addition to traditional sources and techniques. These sources and techniques include walk in and consult in, head-hunting, body-shopping, business alliances, and tele-recruitment.

(i) *Walk-In:* The busy organisations and the rapid changing companies do not find time to perform various functions of recruitment. Therefore, they advise the potential candidates to attend for an interview directly and without a prior application on a specified date, time and at a specified place. The suitable candidates from among the interviewees will be selected for appointment after screening the candidates through tests and interviews. (Exhibit 4.2 presents a model walk-in interview advertisement).

(ii) *Consult-In:* The busy and dynamic companies encourage the potential job seekers to approach them personally and consult them regarding the jobs. The companies select the suitable candidates from among such candidates through the selection process.

(iii) *Head-hunting:* The companies request the professional organisations to search for the best candidates particularly for the senior executive positions. The professional organisations search for the most suitable candidates and advise the company regarding the filling up of the positions. Head-hunters are also called search consultants.

EXHIBIT 4.2

A Model Walk-in Interview Advertisement

MARKETING/SALES

Geoffrey Manners

Geoffrey Manners is engaged in marketing well established quality consumer and OTC brands like
A[illegible]CIN*, ANNE FRENCH*, & FORHANS*.
We are presently on the threshold of implementing a major growth plan which offers challenging opportunities for result oriented individuals.

WALK-IN INTERVIEW

SALES OFFICERS

Headquarters: All major cities of Tamil Nadu State. **Age:** Below 27 years.

The company is looking for energetic young men with initiative and aptitude for a field job and drive to succeed in a competitive environment. Graduates with 2-3 years field selling experience of consumer products and knowledge of local language is essential.

The position entails an attractive salary, daily allowances, incentives & retirement benefits. Walk-In for interview with a detailed C.V. & a recent passport size photograph on 16th August, 1998, between 11 a.m. and 5 p.m. and meet Mr. Srinivasan at:

GEOFFREY MANNERS & CO. LTD.
66, Moore Street, Behind GPO, Chennai - 600 001
Phone No. 514 115/514 516

*Registered Trade Mark.

(iv) *Body Shopping:* Professional organisations and the hi-tech training institutes develop the pool of human resources for the possible employment. The prospective employers contact these organisations to recruit the candidates. Otherwise, the organisations themselves approach the prospective employees to place their human resources. These professional and training institutions are called body shoppers and these activities-are known as body shopping. The body shopping is used mostly for computer professionals.

(v) *Business Alliances:* Business alliances like acquisitions, mergers, and take-overs help in getting human resources. In addition, the companies do also have alliances in sharing their human resources on ad-hoc basis.

It does mean that, the company with surplus human resources offers the services of their employees to other needy organisations.

(vi) *Tele-Recruitmentlhe* technological revolution in telecommunication helped the organisations to use internet as a source of recruitment. Organisations advertise the job vacancies through the world wide web (www) internet. The job seekers send their applications through e-mail or internet. Alternatively, job seekers place their CVs in the world wide web/internet, which can be drawn by the prospective employers depending upon their requirements.

Use of Recruiting Sources

Though there are several sources of recruitment, employers use these sources selectively depending upon the type of the skills needed and the level of the jobs. Exhibit 4.3 shows sources used by skill and level.

EXHIBIT 4.3

Recruiting Sources Used by Skill and Level

Skill/Level	*Recruiting Source*
Unskilled and Semiskilled	Informal Contacts Walk-ins Public Employment Agencies Want Ads
Skilled	informal Contacts Walk-ins Public Employment Agencies Want Ads
Professional Employees	Internal Search Informal Contacts Walk-ins Public Employment Agenices Want Ads Private Employment Agencies
Managerial Level	Internal Search Informal Contacts Walk-ins Private Employment Agencies Wants Ads Public Employment Agencies

Source: Adapted from Stephen L. Mangum, "Recruitment and Job Search. The Recruitment Tactics of Employers,"*Personnel'Administrator,* June 1982, p. 102.

Types of Recruitment Appeal

The recruiter should know what his organisation can offer and what the potential candidate wants.[5] Different candidates — like young, old, women, men — have different needs. Effectiveness of an appeal depends upon applicant's fundamental and immediate needs and those needs which are not met by his present job. Recruiters should have the talents of an advertising expert, the skills of a salesman and a market research specialist. They should also know that an organisation's appeal may be effective in hiring employees but not in retaining them. They should use those features in recruiting the candidates, that are desired by the prospective candidates. Research studies show that men employees desire security, opportunity for advancement, self-determination, freedom in the job etc. Whereas women employees desire personal relations with people at work, good supervision, pleasant working conditions etc. To sum up the employees desire the following features in the given order of importance:

Order of Importance	Area
1.	Opportunity for growth and advancement
2.	Identification with the company
3.	Decent salary
4.	Status and recognition
5.	Technical competence of the supervisors
6.	Confidence in management
7.	Inter-personal relations with superiors
8.	Job security

Contd.

9.	Employee benefits
10.	Effectiveness of administration
11.	Communication
12.	Friendliness and co-operation of colleagues
13.	Job pressures and demands
14.	Physical and working conditions

Recruitment Practices

Finding of the various surveys conducted in foreign countries reveal that various organisations use the following sources of recruitment in the order of the relative practice: employment referrals, casual applicants, advertising, local educational institutions, public employment exchanges, private employment agencies and unions.

Industries in India depend on the following sources:

(i) Internal sources.

(ii) Lists of a central pool of candidates from which vacancies are filled.

(iii) Public employment exchanges.

(iv) Casual labourers.

(v) Labour contractors.

(vi) Candidates introduced by friends and relatives.

(vii) Private employment agencies/consultants.

(viii) Campus recruitment like Indian Institutes of Management, Indian Institutes of Technology, Indian Institute of Science, National Institute for Training Industrial Engineers.

(ix) *Sons of the Soil:* Recently there has been a move in India that the vacancies at the lower level should be filled by the local people (sons of soil). Some organisations including public sector organisations have started providing jobs to sons of soil on priority basis. The National Committee on Labour, in this connection, recommended for providing employment to the local persons. Further, the Government of India issued directives to public sector enterprises to recruit local candidates on priority basis.

(x) *Specified Communities and Categories:* According to the Government directives the organisations, particularly public sector have to recruit candidates to the specified extent from the scheduled castes, scheduled tribes, backward communities and from specified classes like physically handicapped, ex-servicemen and the like.

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Chapter 5
Selection

Introduction

Selection is the process of choosing the most suitable persons out of all the applicants. In this process relevant information about applicants is collected through a series of steps so as to evaluate their suitability for the job to be filled. Selection is a process of matching the qualifications of applicants with the job requirements. It is a process of weeding out unsuitable candidates and finally identify the most suitable candidate. Selection divides all the applicants into two categories—*(a)* suitable, and *(b)* unsuitable. Selection may be described as a process of rejection because generally more candidates are turned away than are hired. Selection is different from recruitment. Recruitment technically precedes selection. Recruitment involves identifying the sources of manpower and stimulating them to apply for jobs in the organisation. On the other hand, selection is the process of choosing the best out of those recruited. Recruitment is positive as it aims at increasing the number of applications for wider choice or for increasing the selection ratio. Selection is negative as it rejects a large number of applicants to identify the few who are suitable for the job. Recruitment involves prospecting or searching whereas selection involves comparison and choice of candidates. The purpose of selection is to pick up the right person for every job. Selection is an important function as no organisation can achieve its goals without selecting the right people. Faulty selection leads to wastage of time money and spoils the environment of an organisation. Scientific selection and placement of personnel can go a longway in building up a stable work force. It helps to reduce absenteeism and labour turnover. Proper selection is helpful in increasing the efficiency and productivity of the enterprise.

The selection process can be successful if the following conditions are satisfied.

(a) Some one should have the authority to select. This authority comes form the employment requisition as developed through an analysis of the work-load and workforce.

(b) There must be some standard of personnel with which applicant can be compared. In other words a comprehensive job description and job specification should be available beforehand.

(c) There most be a sufficient number of applicants from whom the required number of employees may be selected.

Selection Procedure

There is no standard selection process that can be followed by all the companies in all the areas. Companies may follow different selection techniques or methods depending upon the size of the company, nature of the business, kind and number of persons to be employed, government regulations to be followed etc. Thus, each company may follow any one or the possible combinations of methods of selection in the order convenient or suitable to it. Following are the selection methods generally followed by the companies.

Selection procedure employs several methods of collecting information about the candidate's qualifications, experience, physical and mental ability, nature and behaviour, knowledge, aptitude and the like for judging whether a given applicant is or is not suitable for the job. Therefore, the selection procedure is not a single act but is essentially a series of methods or stages by which different types of information can be secured through various selection techniques. At each step, facts may come to light which are useful for comparison with the job requirement and employee specifications.

Steps in Scientific Selection Process

(1)Job Analysis. (2) Recruitment. (3) Application Form. (4) Written Examination. (5) Preliminary Interview. (6) Business Games. (7) Tests. (8) Final Interview. (9) Medical Examination. (10) Reference Checks. (11) Line Manager's Decision (12) Employment. (Fig. 5.2)

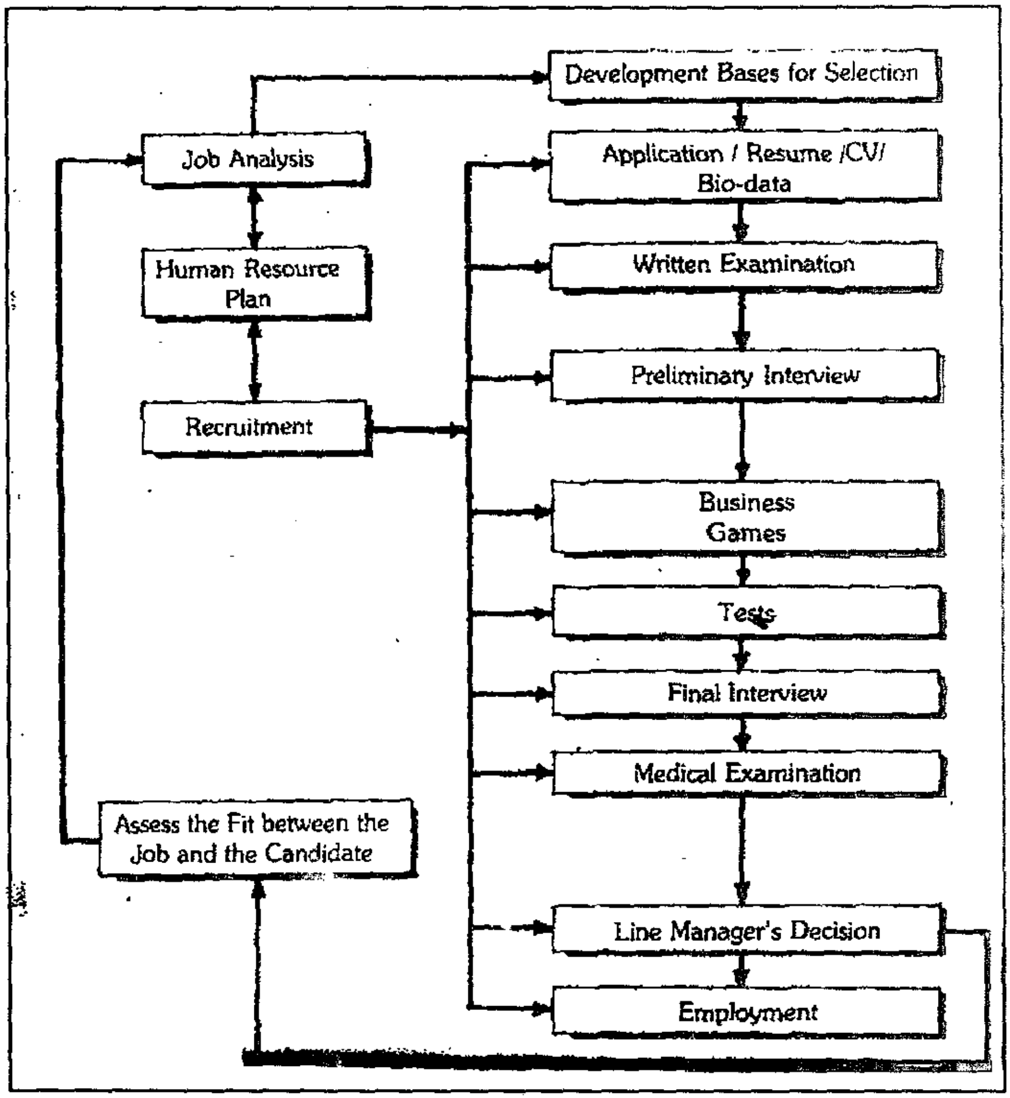

Fig. 5.1: Scientific Selection Process

Job Analysis: Job analysis is the basis for selecting the right candidate Every organisation should finalise the job analysis, job description, job specification and employee specifications before proceeding to the next step of selection.

Recruitment: Recruitment refers to the process of searching for prospective employees and stimulating them to apply for jobs in an organisation. It is the basis for the remaining techniques of the selection and the latter varies depending upon the former.

Application Form: Application Form is also known as application blank The technique of application blank is traditional and widely accepted for securing information from the prospective candidates. It can also be used as a device to screen the candidates at the preliminary level. Many companies formulate their own style of application forms depending upon the requirement of information based on the size of the company, nature of business activities, type and level of the job etc. They also formulate different application forms for different jobs at different levels so as to solicit the required information for each job. But a few companies in our country do not have prescribed application forms. But they ask the prospective applicant to apply on white paper giving particulars about his name, date of birth, mailing address, educational qualifications, experience, etc. Applications of some of the organisations are brief, general and easily securable while those of the others are quite elaborate, complex to answer and require detailed information about the applicant. Some firms ask the candidates to fill up the application forms in their own handwriting so as to draw tentative inferences about their suitability for employment. This is so particularly for the clerical positions. Information is generally required on the following items in the application forms: (i) Personal background information. *(ii)* Educational attainments. *(iii)* Work experiences. *(iv)* Salary. *(v)* Personal details. *(vi)* References Exhibit 5.1 present model resume.

EXHIBIT 5.1

A Model Resume / Curriculum Vitae (CV)

Confidential Resume /c.v. of	Mr. Ravi Prakash 21, Main Road, Vangalapudi Hyderabad - 500 004 Phone + 40-763 20964 (Residence) Fax: + 40-763 21935 E-mail: ravi@ hotrnail. Com
Career Objective	Challenging opportunity to combine multi-disciplinary skills of Human Resource Management and strategic management in a dynamic global environment.
Education	SKIM, Sri Krishna Devaraya University MBA, HRM, April, 1999.
Age	25 years
Experience	Sales Executive, Consumer goods.
5/92 to 4194	*Primary functions* include meeting customers ever changing needs through selling products needed by double income group (DIG) customers.
5/94 to 6/97	Production Assistant, soft drinks primary functions include assisting the production design executive. Salary Rs. 8,000 + perks.
Special Skills	Fluent in English, Hindi, Marathi and Telugu. Computer Literature, Excellent in Human Relations and Public Relations.
School Activities References	Coordinator, School students' concord : Furnished on Request.

(i) *Personnel Background Information:* It includes name, present and permanent addresses, sex, date of birth, marital status, health, height and weight, nationality, number of dependents, annual income of applicant's parents etc. This information can be used by the management to know the suitability of the candidate regarding his socio-economic background, neighbourhood, family status and background, sociological outlook, impact of these factors on employee behaviour etc.

(ii) *Educational Attainments:* These include list of schools, colleges, institutions attended, period of study, major subjects, class, percentage of marks, rank secured, extra-curricular activities, positions and membership held during educational career, hobbies, and interests, study either through regular course, or correspondence course or through private study etc. This is the major area of information gathered by the organisation through application forms.

(iii) *Work Experience:* It covers experience in all previous jobs with greater particulars about the nature and quantum of work handled, period of experience in each job, reasons for leaving the past employers, duties and responsibilities involved, name of the immediate supervisor, salary drawn etc. This information enables the organisation to know the stability of the employee, his aptitude for the nature of work, nature of relationship he maintained with the past employers etc.

(iv) *Salary:* Salary drawn in the present employment and salary and benefits expected.

(v) *PersonalItems:* Association membership, personal likes and dislikes, hobbies etc.

(vij *References:* Organisations ask candidates to send the names and addresses of persons who can be contacted for reference purposes. **Evaluation of Application Forms**

There are two methods of evaluating an application form, viz., clinical and method and weighted method.

ClinicalMethod.The clinical method takes the help of the psychology. Under the clinical method the application forms will be analysed in detail, drawing all possible inferences, projecting the applicant's personality and forecasting future job success. A properly designed form can provide clues to a person's leadership ability, emotional stability, assertiveness, writing ability, attitude towards his superiors etc.

Weighted Method: Under the second method, certain points or weights are assigned to the answers given by the applicant in the application form. In developing a weighted application form it is necessary to identify those items of the personal history of the employees that differentiate between groups of successful and unsuccessful employees. Assigning weights to the responses in an application gives certain amount of objectivity to this device. But this approach requires a different application blank for each occupation group as it is a statistical technique.

Biographical Inventories: In some cases, management may wish to select the existing employees for the higher positions. In such a case the employee is asked to submit for up-to-date bio-data which include name, address, educational qualifications, marital status, habits and attitudes, health, human relations, parental home, childhood, personal attitudes, present home, spouse and children, self-impression, recreation hobbies, interests-, values, openings and preferences etc.

Written Examination: The organisations have to conduct written examination for the qualified candidates after they are screened on the basis of the application blanks so as to measure the candidate's ability in arithmetical calculations, to know the candidates' attitude towards the job, to measure the candidates' aptitude, reasoning, knowledge in various disciplines, General knowledge and English language.

Preliminary Interview: The preliminary interview is to solicit necessary information from the prospective applicants and to assess the applicant's suitability to the job. This may be conducted by an assistant in the personnel department. The information thus provided by the candidate may be related to the job or personal specifications regarding education, experience, salary expected, aptitude towards the job, age, physical appearance and other physical requirements etc. Thus, preliminary interview is useful as a process of eliminating the undesi-rable and unsuitable candidates. If a candidate satisfied the job requirements regarding most of the areas, he may be selected for further process.

Preliminary interviews are short and known as stand-up interviews or sizing-up of the applicants or screening interviews. However, certain required amount of care is to be taken to ensure that the desirable workers are not eliminated. This interview is also useful to provide the basic information about the company to the candidate.

Business Games: Business games are widely used as a selection technique for selecting management trainees, executive trainees, and managerial personnel at junior, middle and top management positions. Business games help to evaluate the applicants in the areas of decision-making, identifying the potentialities, handling the situations, problem-solving skills, human relations skills etc. Participants are placed in a hypothetical work situation and are required to play the role situations in the game. The hypothesis is that the most successfull candidate in the game will be the most successful one on the job. Exhibit 5.2 Presents the types of the business games and the skills that are evaluated by each game.

EXHIBIT 5.2: Business Games and their Utility in the Selection Process

Business Game	*Utility*
1. Case Study	Analytical, judgemental and decision-making mills.
2. Role Play	Human relations skills.
3. In-basket method	Situational judgement, social relations, decision-making skills, problem-solving skills
4. Sensitivity ,	Degree of openness, concern for others, tolerance for individual differences
5. Simulations	Encountering skills.

Group Discussion: The technique of group discussion is used in order to secure further information regarding the suitability of the candidate for the job. Group discussion is a method where groups of the successful applicants are brought around a conference table and are asked to discuss either a case study or a subject-matter. The candidates in the group are required to analyse, discuss, find alternative solutions and select the sound solution. A selection panel then observes the candidates in the areas of initiating the discussion, explaining the problem, soliciting unrevealing information basing on the given information and using common sense, keenly observing the discussion of others, clarifying controversial issues, influencing others, speaking *effectively;*, concealing and mediating arguments among the participants and summarising or concluding aptly. The selection panel basing on its observation, judges the candidates' skill and ability and ranks them according to their merit. In some cases the selection panel may also ask the candidates to write the summary of the group discussion in order to know the candidates' writing ability as well.

Tests: The next stage in the selection process is conducting different tests as given below. The objective of tests is to solicit further information to assess the employee suitability to the job. The important tests are:

The most vital technique of selection which gained significance in recent years is testing. It would be difficult for the organisations to evaluate the candidate's performance only on the basis of application blank and/or interviews. Employment-tests help the management in evaluating the candidate's suitability to the job. These tests are also called psychological tests because psychologists have contributed a lot in developing these tests.[5] Employment test is an instrument designed to measure[6] the nature and degree of one's psychological potentialities, based on psychological factors, essential to perform a given job efficiently. The purpose of these tests is to help in judging the ability of a candidate in a given job-situation. The tests help in ranking candidates and are valuable in determining subsequent success on the job. Thus, tests are useful in selection, placement, promotions performance appraisal and potential appraisal.

Guides to Testing

Dale S. Beach suggested the following guidelines for the employment test:

1. Tests should be in addition to other selection techniques as entire tests can only provide information about a part of total behaviour of a candidate.
2. Test information should be taken into consideration to find out candidate's weaknesses rather than strengths (as tests are more accurate at predicting failures than success).
3. Tests are helpful in picking a most likely successful group from a larger group rather than successful individuals.
4. A test should be tested in one's own organisation as "a valid test in one that measures what it is supposed to measures."
5. Tests can be held only in case of failure of other selection devices in providing satisfactory information.
6. Test administrators should not heavily depend upon test score in making decision regarding selection of a candidate.

Relationship between test score and job success is not always linear. Hence, decision-makers should use the test score judiciously.

Concepts of Testing

Testing concepts include job analysis, reliability and validity.

1. *Job Analysis:* One of the important testing concepts is job analysis as it provides basic information about the type of the candidate needed by the organisation. Job specification and job requirements provide information about the demands made by a job on the incumbent, whereas employee specification gives the information about the characteristics, qualities, behaviour of the employee needed to perform a job successfully. Thus, employee specification is the basis to decide upon a particular test or tests and minimum acceptable score in order to test whether the candidates possessed the required amount and degree of behaviour and qualities like intelligence, aptitude to perform the job successfully.
2. *Reliability:* After indentifying the test(s), the administrator of test should ensure the reliability of test/ instrument. Reliability of a test refers to the level of consistency of score or results obtained throughout a series of measurements. If a person obtains same or similar score in the tests conducted in first, second and third time, under the same conditions, it is said that the test is reliable. The reliability of any selection technique/test refers to its freedom from systematic errors of measurement or its consistency under different conditions. A test is unreliable if the score differs considerably in first, second and third measurements. The causes of low reliability are: conducting the rest under non-standardised conditions, administering the test by different persons and under different psychological states of candidate, existence of factor of luck and ill-luck etc.

Generally, as suggested by Beach, the reliability coefficient should be between + 0.85 and + 1.00 In general, higher reliability can be obtained from written tests.[9]

3. *Validity:* Any selection device should aim at finding out whether a candidate possessed the skills or talents required by a particular job or not. Each selection test aims at finding out whether a candidate possessed that particular skill/talent or not. For example, intelligence test aims at testing whether a particular candidate possessed the nature and level of intelligence essential to perform a job. If intelligence test is effective in measuring the level of intelligence, then it can be said that the test is a valid one. ' "The validity of a test is the degree to which it measures what it is intended to measure."[10] A valid test predicts accurately the level of success or failure of a candidate on the job. According to Dale S. Beach, there are five kinds of validity viz., concurrent validity, predictive validity, content validity, construct validity and face validity (Figure 5.2).

After the tests' reliability and validity are tested, the personnel manager has to develop a testing programme The following steps can be followed in installing a testing programme:

(i) Formulation of the objectives of testing programme.

(ii) Analysis of jobs to identify those characteristics that appear necessary for job success.

(iii) Making of a tentative choice of tests for a try-out.

(iv) Administering of those tests to an experimental group of people.

(v) Establishing of criteria for job success.

(vi) Analysis of results and making of decisions regarding test application.

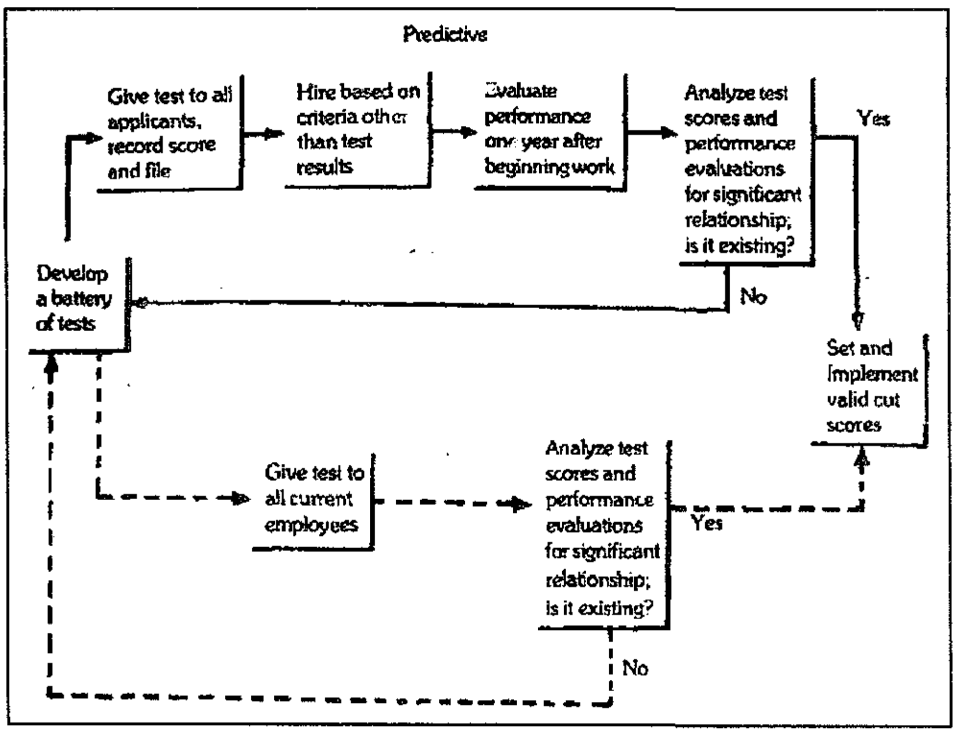

Figure 5.2: Predictive versus Concurrent Validation

Source: DeCenzoand Robbins. *"Human Resource Management,* "John Wiley, New York, 1994. p. 181!

Testing Terminology

Setting Passing Scores

— A minimum score is that which should generally be at least twice as large as a chance score.

— A chance score is one which can be obtained even if a person knows nothing about the test's subject-matter.

— A norm is the percentage of people who get less than or equal to certain scores.

— Alternative form means two or more versions of the same test which are identical in length, difficulty and type of coverage of questions but whose specific questions are different.

— A multiple choice test is one in which two or more possible choices are listed.

— A true or false test contains a list of statements and the testee indicates which are true and which are flase.

— A completion test contains sentences with one or more words or facts omitted, the task of the testee is to insert the missing word or fact.

— An equivalency test is one of knowledge which indicates whether an applicant without the prescribed education or experience has the knowledge implied by an educational or work standard.

— An omnibus test is one which, although it contain diverse items, provides only a single score.

— A test battery means that the applicant is required to take two or more tests, each, individually-timed, scored and weighed.

— A work limit test is one in which the applicant is permitted to finish the given work and the amount of time he takes is recorded.

— A time-limit test is one in which the applicant is permitted to take fixed time and the amount of work he finishes is recorded.

Types of Tests

Tests are classified into five types (Figure 5.3). They are:*(i)* Aptitude tests; *(ii)* Achievement tests; (iii)Situational tests; *(iv)*Interest tests; and *(v)* Personality tests.

(i) *Aptitude Tests:These* tests measure whether an individual has the rapacity or latent ability to learn a given job if given adequate training.[11] Aptitudes can be divided into general and mental ability or intelligence and specific aptitudes such as mechanical. clerical, manipulative capacity etc.

(a) Intelligence Tests: These tests in general measure intelligence quotient of a candidate. In detail these tests measure capacity for comprehension, reasoning,[12] word fluency, verbal comprehension, numbers, memory and space.[13] Other factors such as digit spans — both forward and backward, information known, comprehension, vocabulary, picture arrangement and object assembly.[14]

Though these tests are accepted as useful ones, they are criticised against deprived sections of the community. Further, it is also criticised that these tests may prove to be too dull as a selection device.

Intelligence tests include: sample learning, ability, the adaptability tests etc.

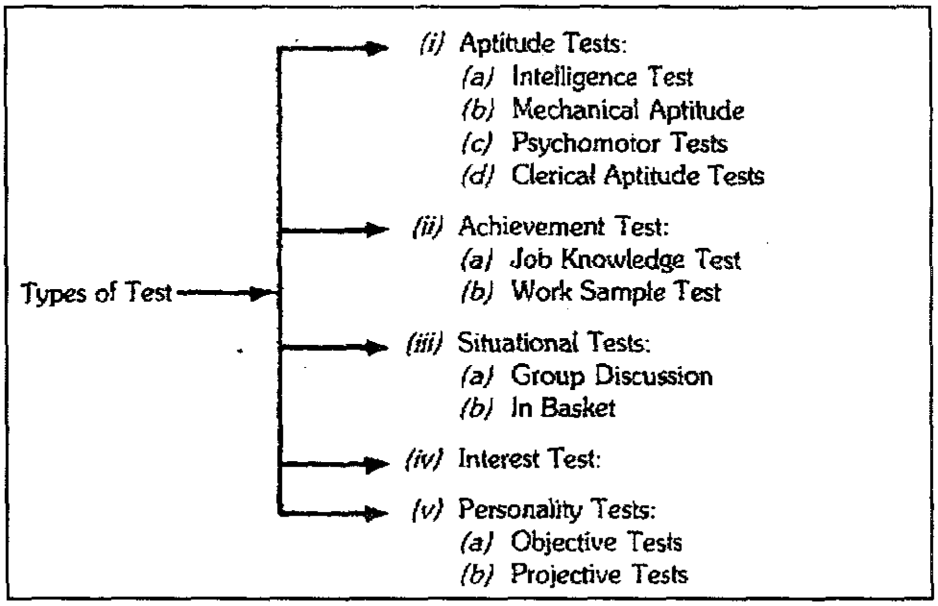

Fig. 5.3: Types of Tests

(b) ***Mechanical Aptitude Tests:*** These tests measure the capacities of spatial visualisation, perceptual speed and knowledge of mechanical matter. These tests are useful for selecting apprentices, skilled, mechanical employees, technicians etc.

(c) ***Psychomotor Tests:****These* tests measure abilities like manual dexterity, motor ability and eye-hand coordination of candidates. These tests are useful to select semi-skilled workers and workers for repetitiveoperations like packing, watch assembly.

(d) ***lerical Aptitude Tests:*** Measure specific capacities involved in office work. Items of this test include spelling, computation, comprehension, copying, word measuring etc.

(ii) chievement Tests: *These* tests are conducted when applicants claim to know something as these tests are concerned with what one has accomplished. These tests are more useful to measure the value of specific achievement when an organisation wishes to employ experienced candidates. These tests are classified into: *(a)* Job knowledge test: and *(b)* Work sample test.

(a) ***Job Knowledge Test:*** Under this test a candidate is tested in the knowledge of a particular job. For example, if a junior lecturer applies for the job of a senior lecturer in commerce, he may be tested in job knowledge where he is asked questions about Accountancy Principles, Banking, Law, Business Management etc.

(b) ***Work Sample Test***: Under this test a portion of the actual work is given to the candidate as a test and the candidate is asked to do it. If a candidate applies for a post of lecturer in Management he may be asked to deliver a lecture on Management Information System as work sample test.

Thus, the candidate's achievement in his career is tested regarding his knowledge about the job and actual work experience.

(ii) Situational Test: This test evaluates a candidate in a similar real life situation. In this test the candidate is asked either to cope with the situation or solve critical situations of the job.

(a) ***Group Discussion***: This test is administered through group discussion approach to solve a problem under which candidates are observed in the areas of initiating, leading, proposing valuable ideas, conciliating skills, oral communicating skills, co-ordinating and concluding skills.

(b) ***In Basket:*** Situational test is administered through in basket. The candidate, in this test, is supplied with actual letters, telephone and telegraphic message, reports and requirements by various officers of the organisation, adequate information about the job and organisation. The candidate is asked to take decisions on various items based on the in basket information regarding requirements in the memoranda.

(iv) ***Interest Test:*** These tests are inventories of the likes and dislikes of candidates in relation to work, job, occupations, hobbies and recreational activities. The purposes of this test is to find out whether a candidate is interested or disinterested in the job for which he is a candidate and to find out in which area of the job range/ occupation the candidate is interested. The assumption of this tests is that there is a high correlation between the interest of a candidate in a job and job success. Interest inventories are less faked and they may not fluctuate after the age of 30.

(v) ***Personality Tests:*** These tests prove deeply to discover clues to an individual's value system, his emotional reactions and maturity and characteristic mood. They are expressed in such traits like self-confidence, tact, emotional control, optimism, decisiveness, sociability, conformity, objectivity, patience, fear, distrust, initiative, judgement dominance or submission, impulsiveness, sympathy, integrity, stability and self-confidence.

(a) ***Objective Tests:*** Most personality tests are objective tests as they are suitable for group testing and can be scored objectively.

(b) ***Protective Tests:*** Candidates are asked to project their own interpretation of certain standard stimulus situations basing on ambiguous pictures, figures etc., under these tests.

Personality tests have disadvantages in the sense that they can be faked by sophisticated candidates and most candidates give socially acceptable answers. Further, personality inventories may not successfully predict job success. A number of corrective measures tried as personality inventories are widely subject to faking. They are:

— Forced choice of Edward's personnel preference schedule.

— Gordon personal profile.

— The Minnesota Multiphasic Inventory offers different methods for identity-ing faking. The faking can be countered by repeating the same question in different parts to measure consistency.

Final Interview: Final interview is usually followed by testing. This is the most essential step in the process of selection. In this step the interviewer matches the information obtained about the candidate through various means to the job requirements and to the information obtained through his own observation during interview. Exhibit 5.3 presents interview applications.

EXHIBIT 5.3

Application of Interviews

Type	*Type of Questions*	*Usual Applications*
Structured	A predetermined checklist if questions, usually asked of all applicants.	Useful for valid results, especially when dealing with large number of applicants.
Unstructured	Few, if any, planned questions. Questions are made up during the interview.	Useful when the interviewer tries to probe personal details of the candidate to analyse why they are not right for the job.
Mixed	Acco mbination of structured *and unstructured questions,* which resembles what is usually done in practice.	A realistic approach that yields comparable *answers plus indepth insights.*
Behavioural	Questions limited to hypothetical situations. Evaluation is based on the solution and approach of *the applicant.*	Useful to understand applicant's reasoning and analytical abilities under modest stress.
Stress	A series of harsh, rapid fire questions intended to upset the applicant.	Useful for stressful jobs, such as handling complaints.

Types of Interviews: The types of interviews are: *(i)* Informal Interview. *(ii)* Formal Interview. *(iii)* Planned Interview, *(iv)* Patterned Interview, *(v)* Non-directive Interview, *(vi)* Depth Interview. *(vii)* Strees Interview, *(viii)* Group Interview. *(ix)* Panel Interview (Figure 5.4).

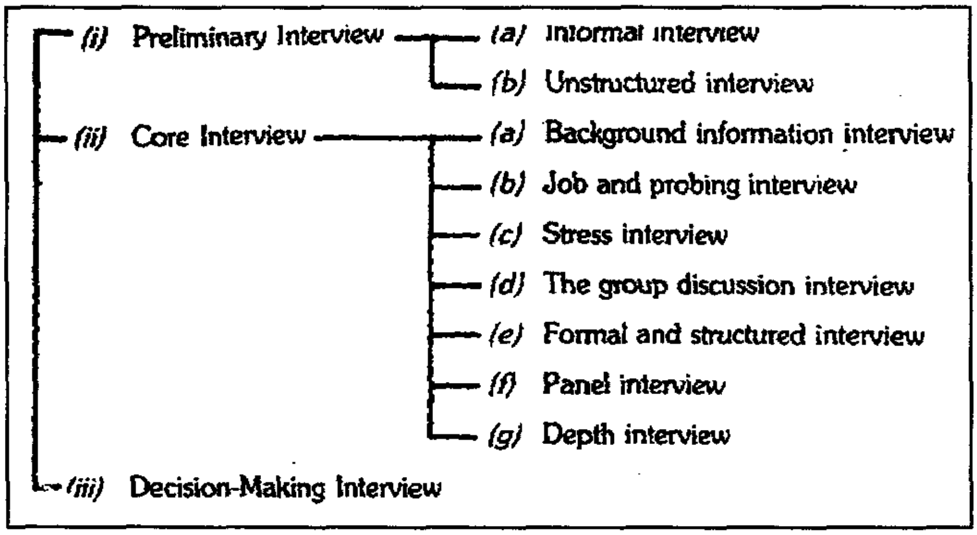

Figure 5.4: Types of Employment Interview.

1. Preliminary Interview

(a) ***Informed Interview:*** This is the interview which can be conducted at any place by any person to secure the basic and non-job related information. The interaction between the candidate and the personnel manager when the former meets the latter to enquire about the vacancies or additional particulars in connection with the employment advertisement is an example of informal interview.

(b) ***Unstructured Interview:*** In this interview the candidate is given the freedom to tell about himself by revealing his knowledge on various items/areas, his background, expectations, interest etc. Similarly, the interviewer also provides information on various items required by the candidate.

2. Core Interview

It is normally the interaction between the candidate and the line *executive* or experts on various areas of job knowledge, skill, talent, etc. This interview may take various forms like:

(a) ***Background Information Interview:*** This interview is intended to collect the information which is not available in the application blank and to check that information provided in the application blank regarding education, place of domicile, family, health, interests, hobbies, likes, dislikes, extracurricular activities of the applicant.

(b) ***Job and Probing Interview:*** This interview aims at testing the candidate's job knowledge about duties, activities, methods of doing the job, critical/problematic areas, methods of handling those areas etc.

(c) ***Stress Interview:*** This interview aims at testing the candidate's job behaviour and level of withstanding during the period of stress and strain. Interviewer tests the candidate by putting him under stress and strain by interrupting the applicant from answering, criticising his opinions, asking questions pertaining to unrelated areas, keeping silent for unduly long period after he has finished speaking etc. Stress during the middle portion of the interview gives effective results. Stress interview must be handled with at most care and skill. This type of interview is often invalid, as the interviewee's need for a job, his previous experience in such type of interviews may inhibit his actual behaviour under such situations.

(d) ***Group Discussion Interview:*** There are two methods of conducting group discussion interviews, viz., group interview method and discussion interview method. All the candidates are brought into one room, i.e., interview room and are interviewed one by one under group interview. This method helps a busy executive to save valuable time and gives a fair account of the objectivity of the interview to the candidates.

Under the discussion interview method, one topic is given for discussion to the candidates who assemble in one room and they are asked to discuss the topic in detail. This type of interview helps the interviewer in appraising, certain skills of the candidates like initiative, inter-personal skills, dynamism, presentation, leading, comprehension, collaboration etc.

Interviewers are at ease in this category of interview because of its informality and flexibility. But it may fail to cover some significant portions of the candidates' background and skills.

(e) ***Formal and Structured Interview:*** In this type of interview, all the formalities, procedures like fixing the value, time, panel of interviewers, opening and closing, intimating the candidates officially etc., are strictly followed in arranging and conducting the interview. The course of the interview is preplanned and structured, in advance, depending on job requirements. The questions items for discussion are structured and experts are allotted different areas and questions to be asked. There will be very little room for the interviewers to deviate from the questions prepared in advance in a sequence. Exhibit 5.4 presents structured interview guide.

EXHIBIT 5.4

Structured Interview Guide (sample questions)

Work Experience
What is your previous work experience? What were your duties in your previous jobs? Why did you leave your previous place of employment? What kinds of work do you like best? Least? Why do you want to work for this company?
Education
What is the highest level of education you achieved? What were your best subjects? What subjects did you do less well in? Have you considered further schooling? Any special achievements in school?
Career Plans
What are your salary requirements? What are you looking for in a job? What can you contribute to this company in the way of abilities and experience? What kind of work would you like to be doing in five years? In ten years?

(f) ***Panel Interview:*** Interviewing of candidates by one person may not be *effective* as he cannot judge the candidates in different areas/skills owing to lack of knowledge and competence in multiple disciplines and areas. Hence most organisations invite a panel of experts, specialised in different areas/fields/ disciplines, to interview candidates. A panel of experts interviews each candidates, judges his performance individually and prepares a consolidated judgement based on each expert's judgement and weightage of each factor. This type of interview is known as panel interview. This type of interview would be more effective as each candidate is prepared by an expert in relevant areas. Experts should be cautioned against over accuracy, excessive weightage to a particular factor, domination of other experts etc.

(g) ***Depth Interview:*** In this type of interview, the candidates would be examined extensively in core areas of knowledge and skills of the job. Experts in that particular field examine the candidates by posing relevant questions as to extract critical answers from them, initiating discussions regarding critical areas of the job, and by asking the candidates to explain even minute operations of the job performance. Thus the candidate is examined thoroughly in critical/core areas in their interview. Exhibit 5.3 presents Questions Frequently asked in interviews.

EXHIBIT 5.3

Questions Frequently Asked in

1. *What goals have you set for yourself? How are you planning to achieve them?*
2. Who or what has the greatest influence on the development of your career interests?
3. What factors did you consider in choosing your major?
4. Why are you interested in our organization?
5. Tell me about yourself.
6. What two or three things are most important to you in a position?
7. What kind of work do you want to do?
8. Tell me about a project you initiated.
9. What are your expectations of your future employer?
10. What is you GPA? How do you feel about it? Does it reflect your ability?
11. How do you solve conflicts?
12. Tell me about how you perceive your strengths. Your weaknesses. How do you evaluate yourself?
13. What work experience has been the most valuable to you and why?
14. What was the most useful criticism you ever received, and who was it form?
15. Give an example of a problem you have solved and the process you used.
16. Describe the project or situation that best demonstrated your analytical skills.
17. What has been your greatest challenge?
18. Describe a situation where you had a conflict with another individual, and how you dealt with it.
19. What were the biggest problems you have you have encountered in college? How have you handled them? What did you learn from them?
20. What are your team-player qualities? Give examples.
21. Describe your leadership style.
22. What interests or concerns you about the position or the company?
23. *In a particular leadership role you had, what was the greatest challenge?*
24. What idea have you developed and implemented that was particularly creative or inovative?
25. What characteristics do you think are important for this position?
26. How have your educational and work experiences prepared you for this position?
27. Take me through a project where you demonstrated - skills.
28. How do you think you have changed personally since your stated college?
29. Tell me about a team project of which you are particularly proud and your contribution.
30. How do you motivate people?
31. Why did you choose the extracurricular activities you did? What did you gain? What did you contribute?
32. What types of situations put you under pressure, and how do you deal with the pressure?
33. Tell me about a difficult decision you have made.
34. Give an example of a situation in which you failed, and how you handled it?
35. Tell me about a situation when you had to persuade another person to your point of view.
36. What frustrates you the most?
37. Knowing what you know now about your college experience, would you make the same decisions?
38. What can you contribute to this company?
39. How would you react to having your credibility questioned?
40. What characteristics are most important in a good manager? How have you displayed one of these characteristics?

41. What challenges are you looking for in a position?
42. Are you willing to relocate or travel as part of your career?
43. What two or three accomplishments have given you the most satisfaction?
44. Describe a leadership role of yours and tell why you committed your time to it.
45. How are you conducting your job search and how will you make your decision?
46. What is the most important lesson you have learned in or our of school?
47. Describe a situation where you had to work with someone who was difficult. How was the person difficult, and how did you handle it?
48. We are looking at a lot of great candidates; why are you the *best* person for this position?
49. How would your friends describe you? Your professors?
50. What else should I know about you?

Source: Victor R. Lindquist, *The Northwestern Undquist—Endicott Report 1989*'(Evanston, IL: North-' western University, 1988), p. 15.

Decision-Making Interview

After the candidates are examined by the experts including the line managers of the organisation in the core areas of the job, the head of the department/section concerned interviews the candidates once again, mostly through informal discussion. The interviewer examines the interest of the candidate in the job, organisation, reaction/adaptability to the working conditions, *career* planning, promotional opportunities, work adjustment and allotment etc. The Personnel Manager also interviews the candidates with a view to find out his reaction/acceptance regarding salary, allowances, benefits, promotions, opportunities etc. The head of the department and the personnel manager exchange the views and then they jointly inform their decision to the chairman of the interview board, who finally makes the decision about the candidates' performance and their ranks in the interview.

Interview Process

Interview is not a single step. It is a process consisting of several steps. The major steps are grouped into four categories (Figure 5.5).

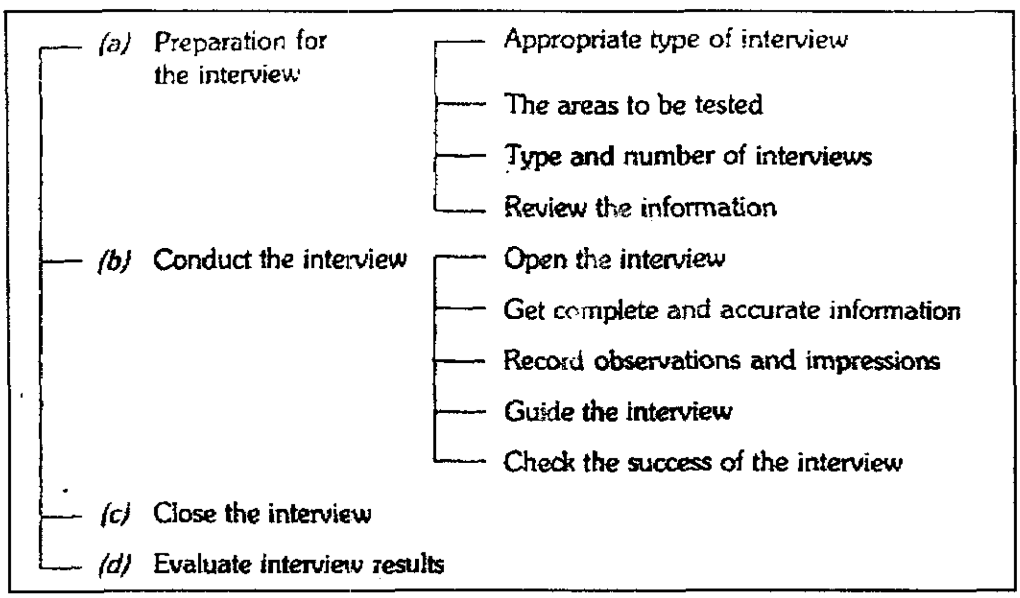

Figure 5.5: Steps in Interview Process

(a) ***Preparation for the Interview:*** Advance preparation for interview is essential as it permits focussing its coverage on the vital aspects and it helps the interviewer to remember and absorb many impressions and facts. The following preparations have to be made by the organisation before starting an interview:

(i) Choose the appropriate types of interviews based on job requirements and the nature of the interviews discussed earlier.

(ii) Identify the knowledge, skill areas to be examined through interviews based on job requirements.

(iii) Determine the type and number of interviewers: Interviewers should be selected based on personal characteristics, technical competence, initiative, common sense, general smartness, ability to inspire confidence, capacity to work in a team and potential for growth.

Interviewers may be drawn from personnel specialists, line managers concerned, experts in the discipline concerned, from academicians, practitioners and psychologists.

Use of Psychologists: A number of research studies and observations regarding the effectiveness of psychologist conclude that:

— There is a wide variation in the abilities of psychologists as in case of other specialists.

— The psychologist would be a competent interviewer if he has got knowledge of job requirements and organisational interests.

— Psychologists' ability as an interviewer is probably higher than non-psychologists, if they are qualified, experienced and trained.

— Psychologist would act as an additional source of information rather than a deciding factor.

In view of these observations, psychologists may also be included as a member of interviewers.

Interviewers may interview the candidates either jointly or separately. A panel interview is preferable to individual interview. The number of interviewers is to be decided on the basis of number and nature of areas to be covered by the interview, number of candidates to be interviewed and the time available for interviewing.

(iv) Review of the information collected in advance through other selection methods, finding out the validity of those methods, the scores obtained etc. The information available in the application blank should be thoroughly checked regarding:

— Accuracy and validity.

— Acquainting about the applicant.

— To find out stability, review the number of positions and length of time held in each of the past jobs.

— Compare the nature of positions in the previous employment with that of proposed employment.

— Check the employee growth with the organisational progression in the past employment.

— Find out discharges etc., through unexplained breaks.

This helps in avoiding further evaluation of those areas appraised effectively by other means through interviews.

(v) Decide upon the administrative arrangements.

(vi) Finalise the physical setting including time which would be convenient to interviewees and interviewers.

(vii) Determine the coverage of the interview: Generally the interview should cover the areas like relevance of qualifications and experience to job requirements, gaps in employment history and causes therefore, reasons for choosing course, school, occupation etc., likes and dislikes, sense of humour, quickness of reaction, ability to recognise thoughts, manner and poise, cultural level etc.

contd..

(viii) Find out the conditions under which the interview technique is effective. This includes:

— consistency in the results of various selection techniques.

— use the interview technique to test the candidate in those areas where other techniques are ineffective.

— when the purpose of the interview is to find out the most suitable position to the applicant.

(b) ***Conducting the Interview:*** The next major step in the interview process is conducting the interview. To conduct the interview effectively is difficult and hence most of the line managers avoid this task.

The interviewers should take much care in the process of conducting interview in view of the scope for committing mistakes at various levels. Adequate information from the candidate can be obtained by listening to and observing rather than talking too much. Further, interviewers very often commit the following mistakes:

— Indulging in discourtesy and rudeness,

— Arriving at conclusions before the interview is over,

— Asking questions mechanically,

— Feeling shyness in asking questions,

— Failing to observe the behaviour and tap the unexplored areas.

However, such mistakes by interviewer can be avoided by selecting competent interviewers, training and developing them.

The various sub-activities of conducting the interview are:

(i) *Open the Interview:* The interviewer has to open the interview with a conscious effort and with conducive voice, speech and appearance during the first few minutes of the interview. This helps the interviewer to establish a rapport with and gain the confidence of the interviewee.

(ii) *Get Complete and Accurate Information:* The interviewer should get full information relating to skill, knowledge, aptitude, attitude, traits of the candidate. The best way of getting full information is by structured interview. The interviewer, in order to get complete and accurate information:

— must be alert for pauses, omissions and diversion of discussion;

— has to use the language which is clear to the interview;

— has to ask direct and straight questions in order to avoid ambiguous questions;

— has to make unjustifiably favourable remarks or unfavourable comments about the applicant's motives or actions with a view to obtain truthful information;

— has to frame the questions in such a way that the candidate's answers should be elaborate.

(iii) *Recording of Observations and Impressions:* The interviewer has to record his observations and impressions in the course of interview with a view to manage the information system for evaluating the candidate's suitability at the later stage.

(iv) *Guide the Interview:* Guiding the interview is essential as:

— to have sufficient discussion (not too much or too less) on a topic;

— to lead the applicant tactfully and surely towards the interview goals;

— some applicants are talkative and some are intelligent in giving information which they know and in avoiding other areas;

— applicant sometimes is reticent.

The interviewer has to guide the interview tactfully without causing much psychological inconvenience to the interviewee while aiming at getting complete and reliable information.

The next major step of the interview is to check the success of the interviewer in conducting the interview.

(v) *Check the success of the Interviewer:* The success of the interviewer in conducting the interview can be checked through the following items:

— making favourable impression on the candidate at the beginning of the interview;

— refraining from making judgement at the beginning;

— putting the candidate at ease;

— giving chance for further discussion;

— asking questions at right time, clearly and in appropriate language;

— avoiding unnecessary interference;

— avoiding expression of approval or disapproval of any attitude;

— talking to a minimum;

— 'guiding' the interview;

— obtaining relevant and adequate information; (Exhibit 5.6)

EXHIBIT 5.4

Information Through Interview Questions

Question	What It is to Asses'?
1. What are your greatest strengths?	How well you sell yourself? Give abstract qualities, expressed in concrete terms.
2. What are your greatest weaknesses?	Is hiring you a mistake? Give a weakness that reflects a professional strength
3. Tell me about yourself.	Style and Poise. Give a synopsis of your skills.
4. Where do you hope to be in five years?	Realistic progression. With company knowledge you can provide a position reasonably achieved in five years.
5. Why did you leave your previous employer?	Honesty. Be pleasant and positive.
6. What do you do in your spare time?	Well-rounded individuals. Give hobbies that highlight aspects of the job
7. What did you like most about your previous job?	Atmosphere and climate you seek. Be specific.
8. What do you think your employer's obligations are to you?	Willing to seek support and guidance, not dependency. Be positive and enthusiastic.
9. Are you applying for any other jobs?	Are you serious about changing jobs? Show how your skills are applicable to several types of jobs.
10. What type of salary did you have in mind?	Can the employer afford you? Deal with this at the end of the interview, if possible. Give a salary range.
11. Silence	Can you handle stress? Smile and keep quiet.
12. Personal Questions	Underlying motive. Be calm and collected.

Source: Interview Question Designed to Destory You, Conmopolitan, April 1982 pp 152-54.

— following up leads;
— taking notes;
— giving opportunity to the candidates to ask questions;
— creating and keeping good impression throughout the interview;
— giving the candidate a feeling of fair and just in conducting the interview;
— closing the interview pleasantly with an indication.

(c) ***Closing the Interview:*** Closing of interview is as important as its commencement and it should end pleasantly. The interviewer may show some signs of the close of the interview at an appropriate time. Interview results should be evaluated after closing the interview.

(d) ***Evaluation of'InterviewResults:The*** interviewer/the board of interviewers evaluate(s) the candidates strengths and weaknesses against the job and organisational requirements. The evaluation is generally based on the observations, impressions and information collected during the course of interview. However, the final decision about the suitability of candidate to the job is made on the basis of the results of all selection techniques. But the interview results influence the selection decision much more than any other technique. The evaluation may be in descriptive form or grading form or rating form. The interviewer has to strike a fine balance between the job requirements and employee values skills, knowledge etc.

In view of the errors in evaluation, the interviewer has to write explanation of rating on each factor which clarifies his thinking and enables discussion among the interviewers. The interviewer should also take into consideration the equational record, physical attributes, attitudes, sociability and social intelligence, flexibility in behaviour, tact, manners, temperament, dependability, self-confidence of the candidate with a view to minimise errors in evaluations and to evaluate the candidate effectively, in general.

Qualities of a Successful Interviewer

The interviewer, to be successful, should possess the qualities like: elderly outlook, social detachment, intelligence, emotionally matured, interest in understanding human behaviour, sociability, active interaction, judgement, expressing the genuine feelings etc. Further he should be well-educated and trained, should show interest in reading latest literature, equipping himself with latest knowledge and should have thirst for knowledge. He should have thorough understanding of jobs, organisation, human behaviour, human qualities etc., in addition to the successful interviewer these are some other means to make the interview effective.

Means to Make the Interview Effective: The interview technique can be used effectively through the following means:

— by selecting the interviewers with higher status, calibre. skill and knowledge;
— resorting to right type of interview depending upon the situation;
— studying the background information, data, facts about the candidates before the interview;
— assessing and evaluating the characteristics and traits of the candidate accurately;
— by basing interview coverage on job and organisational requirements;
— following time management techniques to collect as much important information as possible within the available time;
— checking before hand the reliability and validity of the interview and method;
— respecting interviewee's interest and individuality;
— clearly informing the interviewee the purpose of the interview;
— making the interviewee feel at ease throughout the interview;
— encouraging interviewee to speak freely;

— interviewer should try to understand the words used by the interviewees;
— interviewers should not have personal views and opinions.

Medical Examination: Certain jobs require certain physical qualities like clear vision, perfect hearing, unusual stamina, tolerance of hard working conditions, clear tone, etc. Medical examination reveals whether or not a candidate possesses these qualities.

Medical Examination can give the Following Information: (i) Whether the applicant is medically suited for the specific job. *(ii)* Whether the applicant has health problems or psychological attitudes likely to interfere with work efficiency or future attendance. *(iii)* Whether the applicant suffers from bad health which should be corrected before he can work satisfactorily (such as need for spectacles). *(iv)* It reveals the applicant's physical measurements. *(v)* And it is used to check the special senses of the candidates.

Reference Checks: After completion of the final interview and medical examination, the personnel department will engage in checking references. Candidates are required to give the names of reference in their application forms. These references may be from the individuals who are familiar with the candidate's academic achievement or from the applicant's previous employer, who is well versed with the applicant's job performance, and sometimes from co-workers. In case the *reference* check is from the previous employer, information for the following areas may be obtained. They are: job title, job description, period of employment, pay and allowances, gross emoluments, benefits provided, rate of absence, willingness of the previous employer to employ the candidate again etc.[18] Further, information regarding candidate's regularity at work, character, progress etc., can be obtained. Often a telephone call is much quicker. The method of mail provides detailed information about the candidate's performance, character and behaviour. However, a personal visit is superior to the mail and telephone methods and is used where it is highly essential to get the detailed, actual information which can also be secured by observation. Reference checks are taken as a matter of routine and treated casually or omitted entirely in many organisations. But a good reference check used sincerely will fetch a useful and reliable information to the organisation.

Final Decision by the Line Manager Concerned: The Line Manager concerned has to make the final decision whether to select or reject a candidate after soliciting the required information through different techniques discussed earlier. The line manager has to take much care in taking the final decision not only because of economic implications and of the decisions but also because of behavioural and social implications. A careless decision of rejecting would impair the morale of the people and they suspect the selection procedure and the basis of selection of this organisation. A true understanding between line managers and personnel managers should be established to take proper decisions.

Employment: Thus, after taking the final decision the organisation has to intimate this decision to the successful as well as unsuccessful candidates. The organisation sends the appointment orders to the successful candidates either immediately or after sometime depending upon its time schedule. Exhibit 5.5 presents appointment order

EXHIBIT 5.5

Model Appointment Order

XYZ COMPANY LIMITED

Appointment Order

Date __________

Mr./ Ms ____________________

____

____

Sub:- Offer of appointment for the post of ________________

Dear Sir,

1. With reference to the interview, test you had with us on________, we have pleasure in offering you the post of_____________on the following terms and conditions.
2. Your continuation/confirmation of appointment will be subject to satisfactory verification of your credentials/character and antecedents.
3. Your pay will be Rs.________per month in the scale of Rs._________plus D.A. Rs.______and H.R.A. Rs.________as admissible from time to time under the Company's rules.
4. Your appointment will be temporary for a period of 12 months from the date of your joining and this period may be extended, if considered necessary by the Company. You will be deemed as confirmed in your appointment only if you are intimated to that effect in writing.
5. You have to obtain a satisfactory report of physical fitness from the Company's Medical Officer before jointly duty.
6. During your employment you will be governed by the Standing Orders, Rules and Regulations of the Service of the Company that are in force and which may be amended, altered or extended from time to time in respect of workers.
7. The undermentioned documents enclosed, shall be duly filled in and submitted before joining duty: *(i)* Gratuity Nomination Form *(ii)* Provident fund Form *(iii)* Personal Data Form *(iv)* Home town declaration form.
8. Your duties and responsibilities will be such as may be specified from time to time by the Management, such duties being inclusive of all duties and responsibilities relating to your substantive and other grades/ designations depending upon the exigencies of work.
9. If the above terms and conditions are agreeable to you please sign and return the duplicate copy of this letter and the Appendix 'A' in token of your acceptance of the appointment. You should report for duty on or before_______ at your own expenses, failing which the offer made to you automatically stands cancelled.

Yours faithfully.

Effectiveness of Selection Programme

The purpose of selection programme and techniques is to choose the most suitable candidate for a given job from among the prospective employees. The selection programme would be effective, if the candidates selected / hired perform their jobs efficiently and sincerely with commitment. The human resource manager should evaluate the effectiveness of the selection programme periodically. Dale S. Beach suggests audit of the selection programme to know the effectiveness of the selection programme. Exhibit 5.6 shows the model checklist of the audit of the selection programme.

EXHIBIT 5.6

Model Checklist for Audit of the Selection Programme

I. *Analysis of the programme*

1. Is the selection programme consistent with human resource management theory and practise?
2. Have well-defined selection policies and procedures been developed?
3. Are the employment policies consistent with public policy?
4. Do the wage levels, fringe benefits, and level of employee satisfaction within the organisation have a beneficial effect upon the ability to attract and retain good employees?

II. *How adequately are the programme and its procedures communicated to all those involved in and affected by it?*

III. *How well is the programme implemented?*

1. Have those entrusted with carrying out the employment programme been adequately trained?
2. Does the performance of the programme match the stated goals?
3. Are policy and procedure manuals developed and utilised?

IV. *Feedback*

1. What image has been created in the minds of university and institute placement officers, and public and private employment agencies by the approach adopted by the company in conducting its hiring programme?
2. Have recently hired employees and rejected applicants been surveyed to guage the type of treatment they have received in the selection process?
3. How many persons have rejected the company as a poor place to work because of low wages or poor reputation and so on?

V. *Analysis of results*

1. How well do those hired perform on the job?
2. What percentage of those who apply are hired?
3. Of those hired what percentage are discharged during the probationary period? What percentage resign because the job and employment conditions were misrepresented to them?
4. What protion of employee turnover can be attributed to faulty selection?
5. What contribution does each of the selection tools make to the programme? How well do the predictions form each of the selection devices been properly validated?

Source: Dale S. Beach, "Personnel: The Management of People at Work" Macmillan, New York, 1980, p. 225, Quoted in K. Aswathappa, op. at, pp. 123-124.

Recent Trends in Selection

New trends have been emerging in selection techniques along with other areas of human resource management. The recent trends in selection include: (i) selection by invitation, (ii) leasing and (iii) 360° selection programme.

(i) ***Selection by Invitation:*** Management observes the performance of key executives of competitors. If the performance of the key executives is excellent or the key executives are change agents, the management invites such executives to join the organisation by offering attractive salary and benefits. Thus, the significant performance of the executives forms basis for selecting them by invitation.

(ii) ***Leasing:*** Presently, the organisations need to employ specialists to take-up the highly skilled jobs. In fact, the changes in technology demand highly skilled employees. It would be very difficult to small organisations to employ the skilled employees as they demand high pay. Added to this such employees may not have enough work. These factors enabled the consultancy organisations to employ experts and depute these employees to the needy companies on lease. These consultancy organisations are principal employers and the needy organisations draw the required employees from the pool on lease and pay the agreed fee to the consultancy firms. The consultancy firms pay the salary to the employees.

This type of arrangement is beneficial to the consultants, employees on lease and the industrial organisations. The business organisations can utilise the services of the experts with less cost. The employees get high pay and benefits. The leasing company derives surplus from its charges and fees.

(iii) ***360° Selection Programme:*** *Normally superiors administeer* the selection tests and interviews. They judge the fit between the job and the candidate. But the employee skills, knowledge and performance affect not only superiors but also subordinates and the employees of the same level. Hence, the organisations started involving the subordinates and the employees of the same level in administering the employment tests and interviews. This type of selection programme is called 360° selection programme.

Assessment of Recruitment Programme

Recruitment strategies, objectives and policies should be assessed continuously against the corporate strategies, objectives and policies. In addition, recruitment sources and techniques should also be evaluated against the recruitment objectives and policies of the company. The purpose of such assessment is to know the degree of suitability of the sources and techniques in achieving the corporate strategies and objectives. The assessment helps in monitoring and controlling the recruitment practices. It also helps reviewing, up-dating or modifying the manpower plans, recruitment sources and techniques selected in view of the changes in the internal and external environment.

Exhibit 5.7 presents a few examples of measures used to evaluate the recruiting processes viz., search screening, offers and hires and results.

Feedback and Feedforward

Data and information obtained from the assessment programme may be used to correct the sources and techniques of recruitment through feeding the information back. These corrections include modifying the strategies/sources and techniques. Further, the data and information can also be used in future decision-making through feeding the information and data forward. These decisions include recruitment strategies and programmes.

EXHIBIT 5.7

Examples of Measures Used to Evaluate the Recruiting Process

Search	*Screening*	*Offers and Hires*	*Results*
Number of applicants	Visits offered	Offered extended	Performance rating
Source and method	Applicant	Visits accepted	of hires
Number of applicants	Visits accepted	Offers extended	Tenure of hires
Source and method	Invitations	Total applicants	Exit interview data
Per unit of time			
	Qualified applicants	Offers extended	Costs per level
Cost per applicant	Unqualified applicants	Qualified applicants	of performance
Qualified applicants	Qualified applicants of	Offers accepted	Time lapsed
Total applicants	each protected group	Offers extended	
Applicants of	Total visits offered	Time lapsed	
Protected groups			
Total applicants		Costs/hire Same indexes	
		by each	
		protected group.	

Source: William E. Glueck,Personnel:A DiagnosticApproach, 3rd ed. (Piano, Tx: Business Publications, Inc. 1982), p. 265.

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Chapter 6
Training

Introduction

Organisation and individual should develop and progress simultaneously for their survival and attainment of mutual goals. So every management has to develop the organistion through human resource development. Employee training is the important sub-system of human resource development. Employee training is a specialized function and is one of the fundamental operative functions for human resources management.

Meanning

After an employee is selected, placed and introduced he or she must be provided with training facilities. Training is the act of increasing the knowledge and skill of an employee for doing a particular job. Training is a short-term educational process and utilizing a systematic and organized procedure by which employees learn technical knowledge and skills for a definite purpose. Dale S. Beach define the training as "….the organized procedure by which people learn knowledge and / or skill for a definite purpose."

In other words training improves, changes, moulds the employee's knowledge, skill, behaviour, aptitude, and attitude towards the requirements of the job and organisation. Training refers to the teaching and learning activities carried on for the primary purpose of helping members of an organisation, to acquire and apply the knowledge, skills, abilities and attitudes needed by a particular job and organisation.

Thus, training bridges the differences between job requirements and employee's present specifications.

Concept of Training

Training is the process of increasing the knowledge and skills for doing a particular job. It is an organised procedure by which people learn knowledge and skill for a definite purpose. The purpose of training is basically to bridge the gap between job requirements and present competence of an employee. Training is aimed at improving the behaviour and performance of a person. It is a never ending or continuous process. Training is closely related with education and development but needs to be differentiated from these terms.

Training Objectives

Generally line managers ask the personnel manager to formulate the training policies. The Personnel Manager formulates the following training objectives in keeping with the Company's goals and objectives:

(a) To prepare the employee both new and old to meet the present as well as the changing requirements of the job and the organisation.

(b) To prevent obsolescence.

(c) To impart the new entrants the basic knowledge and skill they need for an intelligent performance of definite job.

(d) To prepare employees for higher level tasks.

(e) To assist employees to function more effectively in their present positions by exposing them to the latest concepts, information and techniques and developing the skills they will need in their particular fields.

(f) To build up a second line of competent officers and prepare them to occupy more responsible positions.

(g) To broaden the minds of senior managers by providing them with opportunities for an interchange of experiences within and outside with a view to correcting the narrowness of outlook that may arise from over-specialisation.

(h) To develop the potentialities of people for the next level job.

(i) To ensure smooth and efficient working of a department.

(j) To ensure economical output of required quality.

(k) To promote individual and collective morale, a sense of responsibility, co-operative attitudes and good relationships.

Assessment of Training Needs

Training needs are identified on the basis of organisational analysis, job analysis and man analysis. Training programme, training methods and course content are to be planned on the basis of training needs. Training needs are those aspects necessary to perform the job in an organisation in which employee is lacking attitude/ aptitude, knowledge, skill.

Training needs = Job and organisational requirement - Employee specifications

Training needs can be identified through identifying the organisational needs based on:

(i) *Organisational Analysis:* This includes analysis of objectives, resource utilisation, environment scanning and organisational climate: Organisational strengths and weaknesses in different areas like accidents, excessive scrap, frequent breakage of machinery, excessive labour turn-over, market share, and other marketing areas, quality and quantity of the output, production schedule, raw materials and other production areas, personnel, finance, etc.

(ii) *Departmental Analysis:* Departmental strength and weakness including special problems of the department or a common problem of a group of employees like acquiring skills and knowledge in operating computer by accounting personnel.

(iii) *Job/Role Analysis:* This includes study of jobs/roles, design of jobs due to changes, job enlargement, and job enrichment etc.

(iv) *Manpower Analysis:* Individual strengths and weaknesses in the areas of job knowledge, skills etc.

EXHIBIT 6.1

Methods Used in Training Needs Assessment

Group or Organisational Analysis	*Individual Analysis*
Organisational goals and objectives	Performance appraisal
Personnel/skills inventories	Work sampling
Organisational climate indices	Interviews
Efficiency indices	Questionnaires
Exist interviews	Attitude survey
MBO or work planning systems	Training progress
Quality circle	Rating scale
Customer Survey/ satisfaction data	Observation of behaviour
Consideration of current and projected changes	

Training and Education. Training should be distinguished from education. "Training is any process by which the aptitudes, skills and abilities of employees to perform specific jobs are increased. On the other hand, education is the process of increasing the general knowledge and understanding of employees". Thus, education is wider in scope and more general in purpose than training. Training is job-oriented or occupational having an immediate utilitarian objective and the major burden of training falls upon the employers. Training is vocational whereas education is general and major burden of education falls on the Government. Education is person-oriented whole training is job-oriented. Training is essentially practical consisting of knowledge and skills required to perform specific tasks. On the contrary, education is theoretical consisting of concepts aimed at stimulating analytical and creative faculties of the individual.

Table 6.1: Comparison Between Education and Training

	Point of Comparison	Education	Training
1.	Content and Scope	Broad and general	Narrow and specific-Job related
2.	Nature	Pure and theoretical	Applied and practical
3.	Duration	Long duration	Short duration
4.	Result	Delayed and inapparent	Quick and apparent

Education generally refers to formal instruction in a school or college, whereas training is often imparted at the work-place. However, it is difficult in practice to differentiate between education and training because in many cases both of them occur simultaneously. There is some education in all training and in all education there is some training. The two are complementary and both involve development of talent and human potential.

Training and Development. Employee training is distinct from management development. Training is a short-term process utilising a systematic and organised procedure by which non-managerial personnel learn technical knowledge and skills for a definite purpose. It refers to instructions in technical and mechanical operations like operation of a machine. It is designed primarily for non-managers. It is for a short duration and for a specific job-related purpose.

On the other hand, development is a long-term educational process utilising a systematic and organised procedure by which managerial personnel learn conceptual and theoretical knowledge for general purpose. It involves philosophical and theoretical educational concepts and it is designed for managers. It involves broader education and its purpose is ling-term development. In the words of Compbell, "training courses are typically designed for a short-term, stated set purpose, such as the operation of some piece(s) of machinery while development involves a broader education for long-term purpose".

Training involves helping an individual learn how to perform his present job satisfactorily. Development involves preparing the individual for a future job and growth of the individual in all respects. Development complements training because human resources can exert their full potentials only when the learning process goes far beyond simple routine.

Need for Training

Training is required on account of the following reasons:

1. **Job Requirements.** Employees selected for a job might lack the qualifications required to perform the job effectively. New and inexperienced employees require detailed instruction for effective performance on the job. In some cases, the past experience, attitudes and behaviour patterns of experienced personnel might be inappropriate to the new organisation. Remedial training should be given to such people to match the needs of the organisation. New employees need to provided orientation training to make them familiar with the job and the organisation.

2. **Technological Changes.** Technology is changing very fast. Now automation and mechanisation are increasingly applied in offices and service sector. Increasing use of fast changing techniques requires training into new technology. For instance, staff in public sector bank is being trained due to computerisation of banking operations. No organisation can take advantage of latest technology without well trained personnel. New jobs require new skills. Thus, both new and old employees require training.

3. **Organisational Viability.** In order to survive and grow an organisation must continually adopt itself to the changing environment. With increasing economic liberalisation and globalisation in India, business firms are ex-periencing expansion, growth and diversification. In order to face international competition, the firms must upgrade their capabilities. Existing employees need refresher training to keep them abreast of new knowledge. Training programmes foster the initiative and creativity of employees and help to prevent obsolescence of skills. An organisation can build up a second line of command through training in order to meet its future needs for human resources. Trained staff is the most valuable asset of a company.

4. **Internal Mobility.** Training becomes necessary when an employee moves from one job to another due to promotion and transfer. Employees chosen for higher level jobs need to be trained before they are asked to perform the higher responsibilities. Training is widely used to prepare employees for higher level jobs.

Thus, there is an ever present need for training people so that new and changed techniques may be taken advantage and improvements in old methods are effected. Need for training has increased due to growing complexity of jobs, increasing professionalisation of management, growing uncertainties in the environment, global competition, growing aspirations, vast untapped human potential, ever-increasing gap between plans and results and suboptimal performance levels.

Importance of Training

A well planned and well-executed training programme can provide the following advantages:

1. **Higher Productivity.** Training helps to improve the level of performance. Trained employees perform better by using better method of work. Improvements in manpower productivity in developed nations can be attributed in no small measure to their educational and industrial training programmes.
2. **Better Quality of Work.** In formal training, the best methods are standardised and taught to employees. Uniformity of work methods and procedures helps to improve the quality of product or service. Trained employees are less likely to make operational mistakes.
3. **Less Learning Period.** A systematic training programme helps to reduce the time and cost involved in learning. Employees can more quickly reach the acceptable level of performance. They need not waste their time and efforts in learning through trial and error.
4. **Cost Reduction.** Trained employees make more economical use of materials and machinery. Reduction in wastage and spoilage together with increase in productivity help to minimise cost of operations per unit. Maintenance cost in also reduced due to fewer machine breakdowns and better handling of equipments. Plant capacity can be put to the optimum use.
5. **Reduced Supervision.** Well-trained employees tend to be self-reliant and motivated. They need less guidance and control. Therefore, supervisory burden is reduced and the span of supervision can be enlarged.
6. **Low Accident Rate.** Trained personnel adopt the right work methods and make use of the prescribed safety devices. Therefore, the frequency of accidents is reduced. Health and safety of supervision can be enlarged.
7. **High Morale.** Proper training can develop positive attitudes among employees. Job satisfaction and morale are improved due to a rise in the earnings and job security of employees. Training reduces employee grievances because opportunities for internal promotion are available to well trained personnel.
8. **Personal Growth.** Training enlarges the knowledge and skills of the participants. Therefore, well trained personnel can grow faster in their career. Training prevents obsolescence of knowledge and skills. Trained employees are a more valuable asset to any organisation. Training helps to develop people for promotion to higher posts and to develop future managers.
9. **Organisational Climate.** A sound training programme helps to improve the climate of an organisation. Industrial relations and discipline are improved. Therefore, decentralisation of authority and participative management can be introduced. Resistance to change is reduced. Organisations having regular training programmes can fulfil their future needs for personnel from internal sources. Organisational stability is enhanced because training helps to reduce employee turnover and absenteeism. Training is an investment in people and, therefore, systematic training is a sound business investment. In fact, "no organisation can choose whether or not to train employees..... the only choice left to management is whether training shall be haphazard, casual and possibly misdirected or whether it shall be made a carefully planned part of an integrated programme of personnel administration".

Principles or Concepts of Training

Since training is a continuous process and not a oneshot affair, and since it consumes time and entails much expenditure, it is necessary that a training programme or policy should be prepared with great thought and care, for it should serve the purposes of the establishment as well as the needs of employees. Moreover, it must guard against over-training, use of poor instructions, too much training is skills which are unnecessary for a particular job, imitation of other company training programmes, misuse of testing techniques, inadequate tools and equipment, and over-reliance on one single technique- e.g., on slides, pictures or lecturers – and not enough on practice.

A successful training programme presumes that sufficient care has been taken to discover areas in which it is needed most and to create the necessary environment for its conduct. The selected trainer should be one who clearly understands his job and has professional expertise, has an aptitude and ability for teaching, possesses a pleasing personality and a capacity for leadership, is well-versed in the principles and methods of training, and is able to appreciate the value of training in relation to an enterprise.

Certain general principles need be considered while organising a training programme. For example: -

1. Trainees in work organisations tend to be most responsive to training programmes when they feel the need to learn, i.e., *the trainee will be more eager to learn training if training promises answers to problems or needs he has an employee.* The individual who perceives training, as the solution to problems will be more willing to enter into a training programme than will the individual who is satisfied with his present performance abilities.
2. Learning is more effective where there is reinforcement in the form of rewards and punishments, i.e., *individual do things that give pleasure and avoid things that give pain:* In other words, after an action, if satisfied is received, the action will be repeated. If no satisfaction is received, the action will not be repeated.
3. In the long run, awards tend to be more effective for changing behaviour and increasing one's learning than punishments.
4. Rewards for the application of learned behaviour are most useful when they quickly follow the desired performance.
5. The larger the reward for good performance following the implementation of learned behaviour, the greater will be the reinforcement of the new behaviour.
6. Negative reinforcement, through application of penalties and heavy criticism following inadequate performance, may have a disruptive effect upon the learning experience of the trainee than positive reinforcement.
7. Training that requests the trainee to make changes in his values, attitudes, and social beliefs, usually achieves better results if the trainee is encouraged to participate, discuss and discover new, desirable behaviour norms.
8. The trainee should be provided with 'feedback' on the progress he is making in utilising the training he has received. As Miller has stated, "If a person with the required abilities is to improve his performance, he must (i) know what aspect of his performance is not upto par; (ii) know precisely what corrective actions he must take to improve his performance." *The feedback should be fast and frequent* especially for the lower level jobs which are often routine and quickly completed.

9. The development of new behaviour norms and skills is facilitated through practice and repetition. *Skills that are practised often are better learned and less easily forgotten.*
10. The training material should be made as meaningful as possible, because if the trainee understands the general principles under-lying what is being taught, he will probably understand it better than if he were just asked to memorize a series of isolated steps.

The National Industries Conference Board, U.S.A., states some other principles like the following:

(i) The purpose of the training is to help meet company objectives by providing opportunities for employees at all organisational levels to acquire the requisite knowledge, skills and attitudes;

(ii) The first step in training is to determine needs and objectives;

(iii) The objectives and scope of a training plan should be defined before its development is begun in order to provide a basis for common agreement and co-operative action;

iv) The techniques and processes of a training programme should be related directly to the nees and objectives of an organisation;

(v) Training is properly the responsibility of any one in the management who wants to attain a particular objective;

(vi) The purpose behind the training of personnel is to assist line management in the determination of training needs and in the development, administration, conduct and follow-up of training plans;

(vii) To be effective, training must use the tested principles of learning;

(viii)Training should be conducted in the actual job environment to the maximum possible extent.

Training Methods/Techniques

The forms and types of employee training methods are inter-related. is difficult, if not impossible, to say which of the methods or combination of methods is more useful than the other. In fact, methods are multifaceted in scope and dimension, and each is suitable for a particular situation. The ' : ' technique for one situation may not be best for differen groups or tasks. Care must be used in adapting the chnique/method to the learner and the job. An effective training technique generally fulfils these objectives: rovide motivation to the trainee to improve job performance, develop a willingness to change, provide for the t inee's active participation in the learning process, provide a knowledge of results about attempts to improve (i.e , feedback), and permit practice where appropriate.

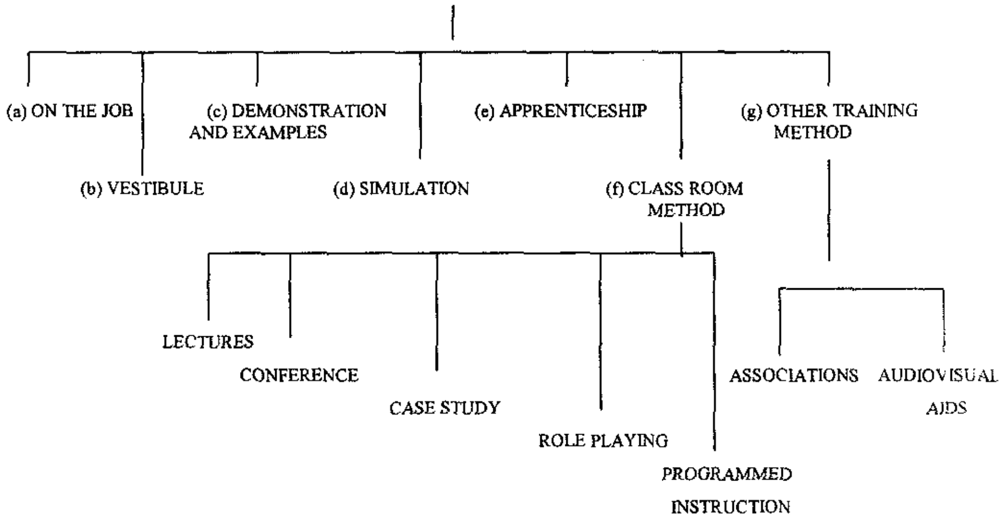
(a) On-the-Job-Training (OJT)

Virtually every employee, from the clerk to company president, gets some, "on-the-job-training", when he joints a firm. They why William Tracly calls it, "the most common, the most widely used and accepted, and the most necessary method of training employees in the skills essential for acceptable for job performance."

Trainees earn as they learn under the watchful eyes of a master mechanic or craftsmen, receive immediate feedback, practice in the actual work environment, and associate with the same people they will work with after training. Under this technique, an employee is placed in a new job and is told how it may be performed. It is primarily concerned with developing in an employee a repertoire of skills and habits consistent with the existing practices of an organisation, and with orienting him to his immediate problems. It is mostly given for unskilled and semi-skilled jobs - clearical and sales jobs.

CHART - 6.1

Classification Of Training Methods



Employees are coached and instructed by skilled co-workers, by supervisors, by the special training instructors. They learn the job by personal observation and practice as well as occasionally handling it. *It is learning by doing,* and it is most useful for jobs that are either difficult to stimulate or can be learned quickly by watching and doing.

There are a variety of OJT methods, such as "coaching" or "under-study": job rotation: and special assignments. Under *coaching or under-study method* (which is also known as 'internship' and 'apprenticeship' method), the employee is trained on the job by his immediate superior, 'Internship' is usually applied to managerial personnel and provide wide variety of job experience, often involving job rotation, or an "assistant to" type of position. '*Apprenticeship*' is generally used to impart skills requiring long periods of practice as found in trade, crafts and other technical fields.

In *Job rotation,* a management trainee is made to move from job to job at certain intervals. The jobs vary in content.

Special assignments or committees are other methods used to provide lower level executives with first hand experience in working on actual problems. Executives from various functional areas serve on "boards" and are required to analyse problems and recommend solutions to top management. On-the-job training is made more effective by the use of a variety of training aids and techniques, such as procedure charts, lecture manuals, sample problems, demonstrations, oral and written explanations, tape-recorders and other aids.

Merits: The main advantage of on-the-job training is that the trainee learns on the actual equipment in use and in the true environment of his job. He, therefore, gets a feel of the actual production conditions and requirements. In this way, a transfer from a training centre or school to the actual production conditions following the training period is allowed. *Secondly,* it is highly economical since no additional personnel or facilities are required for training. *Thirdly* the trainee earns the rules, regulations and procedures by observing then day-to-day applications. He can, therefore, be easily sized up by the management. *Fourthly,* this type of training is a suitable alternative for a company in which there are almost as many jobs as there are employees. *Finally,* it is most appropriate for teaching the knowledge and skills which can be acquired in a relatively short period, say, a few days or weeks.

Demerits: The principal disadvantage of on-the-job training is that instruction is often highly disorganised and haphazard and not properly supervised. This is due to such reasons as the inability of the experienced employee to impart skills to the trainee, the breakdown of the job for the purpose of instructions, and the lack of motivation on the part of the trainee to receive training. Moreover, learners are often subjected to distractions of a noisy shop or office. Further, the other drawback is the low productivity, especially when the employee is unable to fully develop his skills.

However, this training is generally given in a large number of organisations, and is suitable for all levels of operatives, supervisors and executives, for it needs no schools, and the employee's contribution adds to the total output of the enterprise.

(b) Job Instruction Training (JIT)

This method is very popular in the States for preparing supervisors to train operatives. The JIT method requires skilled trainers, extensive job analysis, training schedules, and prior assessment of the trainee's job knowledge. This method is also known as "training through step-by-step learning." It involves listing all necessary steps in the job, each in proper sequence. These steps show what is to be done. Alone side each step is also listed a corresponding "Key point", which show how it is to be done and why.

The actual training follows a four-step process, beginning with

(i) the *preparation of the trainee for instruction.* This includes putting him at ease, emphasising the importance of the task and giving a general description of job duties and responsibilities:

(ii) *presentation of the instructions, giving essential information in a clear manner.* This includes positioning the trainee at work site, telling and showing him each step of the job, stressing why and how each step is carried out as it is shown:

(iii) having the trainee try out the job to show that he has understood the instructions, if there are any errors they are corrected: and

(iv) encouraging the question and allowing the trainee to work along and the trainer follows up regularly.

The JIT method provides immediate feedback on results, quick correction of errors, and provision of extra practice when required.

However, it demands a skilled trainer and can interfere with production and quality.

(c) Vestibule Training (or Training-Centre Training)

This method attempts to duplicate on-the-job situations in a company classroom. It is a classroom training which is often imparted with the help of the equipment and machines which are identical with those in use in the place of work. This technique enables the trainee to concentrate on learning the new skill rather than on performing an actual job. In other words it is geared to job duties. Theoretical training is given in the classroom, while the practical work is conducted on the production line. It is a very efficient method of training semi-skilled personnel, particularly when many employees have to be trained for the same kind of work at the same time. It is often used to train clerks, bank tellers, inspectors, machine operators, testers, typists, etc. It is most useful when philosophic concepts, attitudes, theories and problem-solving abilities have to be learnt.

Training is generally given in the form of lectures, conferences, case studies, role-playing and discussion.

Merits: This method has several merits. First, as training is given in a separate room, distractions are minimised. Second, a trained instructor, who knows how to teach, can be more effectively utilised. Third, the correct method can be taught without interrupting production. Fourth, it permits the trainee to practice without the fear of supervisors/co-workers' observation and their possible redicule.

Demerits: First, The splitting of responsibilities leads to organisational problems. Second, an additional investment in equipment is necessary. Though the cost may be getting some productive work done by trainees while in the school. Third, this method is of limited value for the jobs, which utilise equipment, which can be duplicated. Finally, the training situation is somewhat artificial.

However, when the number of trainees is large, vestibule school are generally utilised; but when the is small, on-the-job training is preferred.

Training by Experienced Workmen

By this method, training is imparted by experienced senior fellow-workers. It is particularly adaptable where experienced workmen need helpers. It is useful for departments in which workmen advance through successive jobs to perform a series of operations.

The success of both these methods depends upon the fact that:

(a) the experienced supervisors must be good teachers:

(b) they should have incentives and sufficient time for carrying out the training programmes; and

(c) they should be provided with an accurate account of the training needs of the trainees they are to teach.

Demonstrations and Examples (or learning by Seeing)

In the demonstration method, the trainer describes and displays something, as when he teaches an employee how to do something by actually performing the activity himself and by going through a step-by-step explanation of "why" and "what" he is doing.

Demonstrations are very effective in teaching because it is much easier to show a person how to do a job than to tell him or ask him to gather instruction from the reading material. Demonstrations are often used in combination with lectures, pictures, text materials, discussions, etc.

Teaching by example is effective in mechanical operations or interpersonal relationships, for job duties and responsibilities, for informal group standards, supervisory expectations, and the like.[54]

Demonstrations are particularly effective in the training for the acquisition of skills; but their usefulness is limited when it is a question of training management personnel. In a demonstration, the emphasis is primarily on know-how, the principles and theory of a job must, therefore, be taught by some other method.

(d) Simulation

Simulation is a technique which duplicates, as nearly as possible, the actual conditions encountered on a job. The vestibule training method or the business-game method are examples of business simulations. Simulation techniques have been most widely used in the aeronautical industry.

Trainee interest and employee motivation are both high in simulation exercises because the actions of a trainee closely duplicate real job conditions. This training is essential in which actual on-the-job practice might result in a serious inquiry, a costly error, or the destruction of valuable materials or resources. It is for this reason that the technique is a very expensive one.

(e) Apprenticeship

For training in crafts, trades and in technical areas, apprenticeship training is the oldest and most commonly used method, especially when proficiency in a fob is the result of a relatively long training period of 2 years to 3 years for persons of superior ability and from 4 years to 5 years for others. The field in which apprenticeship training is offered are numerous and range from the job of a draughtsman, a machinist, a printer, a tool-maker, a pettern designer, a mechanic, carpenters, weavers, fotters, jewellers, die-sinkers, engravers, and electricians. A major part of training time is spent on-the-job productive work. each apprentice is given a programme of assignments according to a pre-determined schedule, which provides for efficient training in trade skills.

The merits of this method are:

(i) A skidded work force is maintained;

(ii) Immediate returns can be expected from training;

(iii) The workmanship is good;

(iv) The hiring cost is lower because of reduced turnover and lower production costs;

(v) The loyalty of employees is increased and opportunities for growth are frequent.

(f) Class-Room or Off-The-Job Methods

Class-room or Off-the-job Methods

"Off-the-job-training" simply means that training is not a part of everyday job activity. The actual location may be in the company class-rooms or in places which are owned by the company, or in universities or associations which have to connection with the company.

These methods consist of:

1. Lectures;
2. Conferences;
3. Group Discussions;
4. Case Studies;
5. Role-playing;
6. Programme Instruction;
7. T-Group Training.

1. **Lectures (or Class-Room Instruction):** Lectures are regarded as one of the most simple ways of imparting knowledge to the trainees, especially when facts, concepts, or principles, attitudes, theories and problem-solving abilities are to be taught. Lectures are formal organised talks by the training specialist, the formal superior or other individual specific topics.

   The lecture method can be used for very large groups, which are to be trained within a short time, thus reducing the cost per trainee. It can be organised rigorously so that ideas and principles relate properly. Lectures are essential when it is a question of imparting technical or special information of a complex nature. They are usually enlivened with discussions, film shows, case studies, role-playing and demonstrations. Audio-visual aids enhance their value. "The lecture method is not dead as some would believe." In the hands of able lecturers, and for certain kinds of purposes and participants, it may turn out to be more interesting and effective than any other methods.

   In training, the most important uses of lectures include:

   (1) Reducing anxiety about upcoming training programmes or organisational changes by explaining their purposes.

   (2) Introducing a subject and presenting an overview of its scope.

   (3) Presenting basic material that will provide a common back-ground for subsequent activities.

   (4) Illustrating the application of rules, principles; reviewing, clarifying and summarising.

   The main advantage of the lecture system is that it is simple and efficient and through it more material can be presented within a given time than by any other method.

   However, the lecture system suffers from some limitations:

   (i) The learners are passive instead of active participants. The lecture method violates the principle of learning by doing. It is a oneway communication. There is no feedback from the audience.

   (ii) A clear and vigorous verbal presentation requires a great deal of preparation for which management personnel often lack the time. Moreover, it calls for a substantial speaking skill.

   (iii)The attention span of even a well-motivated and adequately informed listener is only from 15 minutes to 20 minutes so that, in the course of an hour, the attention of listeners drifts.

(iv) It is difficult to stimulate discussion following a lecture, particularly if the listener is uninformed or awestruck by the lecturer.

(v) The untrained lecturer either ramples or packs far too much information in the lecture, which often becomes unpalatable to the listener.

(vi) The presentation of material should be geared to a common level of knowledge.

(vii) It tends to emphasise the accumulation and memorisation of facts and figures and does not lay stress on the application of knowledge.

(viii) Though a skilful lecturer can adapt his material to the specific group, he finds it difficult to adjust it for individual differences within a group.

According to the conclusions reached at the Conference on Management Education and Training (held from January 22 to 24, 1964) at Pune, the essential pre-requisites for a successful lecture method are:

(i) Group interest should be motivated and adapted to its needs:

(ii) A lecture should be well planned as to purpose; the main ideas and organisation should be clear and the development interesting:

(iii) It should be presented by an enthusiastic and animated speaker who has his listener's needs and interest in mind at all times:

(iv) It should not last less than 30 minutes and not more than an hour:

(v) A lecture should be made interesting and enlist the active participation of the learners with the aid of guided discussion; the lecturer should pose leading questions, instead of giving out knowledge and information, to which the listeners should provide answers.

2. **The Conference Methods:** In this method, the participating individuals 'confer' to discuss points of common interest to each other. A conference is basic to most participative group-centred methods of development. It is a formal meeting, conducted in accordance with an organised plan, in which the leader seeks to develop knowledge and understanding by obtaining a considerable amount of oral participation of the trainees. It lays emphasis on small group discussions, on organised subject matter, and on the active participation of the members involved. Learning is facilitated by building up on the ideas contributed by the conferees.

There are three types of conferences. In the directed discussion, the trainer guides the discussion is such a way that the facts, principles or concepts are explained. In the training conference, the instructor gets the group to pool its knowledge and past experience and brings different points of view to bear on the problem. In the seminar conference, answer is bound to question or a solution to a problem. For this, the instructor defines the problem, encourages and ensures full participation in the discussion

Merits: The conference is ideally suited for the purpose of analysing problems and issues and examining them from different viewpoints. It is an excellent method for the development of conceptual knowledge and for reducing dogmatism and modifying attitudes because the participants develop solutions and reach conclusions, which they often willingly accept.

Demerits: However, the conference method suffers from certain limitations:

(i) It is limited to a small group of 15 to 20 persons, because larger groups often discourage the active participation of all the conferees;

(ii) The progress is usually slow because all those desiring to speak on a point are generally allowed to do so. Consequently irrelevant issues easily creep in.

If the method is to be effective:

(a) The conferees should have some knowledge of the subject to be discussed at the conference.

(b) Good and stimulating leaders are needed, for it is they who summarise material at appropriate times during a discussion and think along with the group to help it analyse and reach decisions; adopt a permissive point of view which encourages members to express themselves without fear to censure or ridicule; control the more verbose members and bring out the more reserved; develop sensitivity to the thoughts and feelings of individuals; and finally, ensure a general consensus on points without forcing agreement or side-stepping disagreement.

(c) The size of the group should be small enough to allow each individual to participate and become personally involved in the deliberations of the group.

(d) Training issue must involve a problem or need each individual is currently facing or interest in the conference results will wane.

3. **Seminar or Team Discussion:** This is an established method for training. A seminar is conducted in many ways:

(i) It may be based on a paper prepared by one or more trainees on a subject selected in consultation with the person in charge of the seminar. It may be a part of a study or related to theoretical studies or practical problems. The trainees read their papers, and this is followed by a critical discussion. The chairman of the seminar summarises the contents of the papers and the discussions, which follow their reading.

(ii) It may be based on the statement made by the person in charge of the seminar or on a document prepared by an expert, who is invited to participate in the discussion.

(iii) The person in charge of the seminar distributes in advance the material to be analysed in the form of required readings. The seminar compares the reactions of trainees, encourages discussion, defines the general trends and guides the participants to certain conclusions.

(iv) Valuable working material may be provided to the trainees by actual files. The trainees may consult the files and bring these to the seminar where they may study in detail the various aspects, ramifications and complexities of a particular job or work or task.

4. **Case Studies (or Learning by Doing):** This method was first developed in the 1880s by Christopher Langdell at the Harvard Law School to help students to learn for themselves by independent thinking and by discovering in the ever-tangled skein of human affairs, principles and ideas which have lasting validity and general applicability. A collateral object is to help them develop skills in using their knowledge.

"The case study is based upon the belief that managerial competence can best be attained through the study, contemplation, and discussion of concrete cases." The 'case' is a set of data (real or fictional), written or oral miniature description and summary of such data that present issues and problems calling for solutions or action on the part of the trainee. When the trainees are given cases to analyse, they are asked to identify the problem and to recommend tentative solutions for it. This method offers to the trainees matter for reflection and brings home to them a sense of the complexity of life as opposed to theoretical simplifications of and practices in the decision-making process. It diagnoses and deals with real-life situations. The case study is primarily useful as a training technique for supervisors and is specially valuable as a technique of developing decision-making skills and for broadening the perspective of the trainee.

The person in charge of training, makes out a case, provides the necessary explanations, initiates the discussion going; and then, once the discussion gets going, he intervenes as little as possible. In the incident method, a full detailed description of a situation is not given. The trainer merely presents an outline, often in the form of a complaint from a customer or a severe conflict in the management of a business. The trainee arrives at the facts in issue by asking questions from the trainer or from those involved in the "incident". The trainer guides the trainees in finding out a solution by "acting out" the situation in which a trainee plays a role. In the live case method, trainers from a particular business describe its development and some of its problems. After discussions and detailed studies, the trainees prepare a report, which contains an analyses of the situation and their recommendations on the corrective action to be taken.

In case study method, the trainee is expected to :

(i) master the facts, become acquainted with the content of the case;

(ii) define the objectives sought in dealing with the issues in the case,

(iii) identify the problems in case and uncover their probable causes;

(iv) develop alternative courses of action;

(v) screen the alternatives using the objectives as the criteria;

(vi) select the alternative that is most in keeping with the stated objectives,

(vii) define the controls needed to make the action effective; and

(viii) to 'role play' the action to test its effectiveness and find conditions that may limit it.

Merits: The merits of this method are: First, it promotes analytical thinking and develops a person's problem-solving. Second, it encourages open mindedness and serves as a means of integrating the knowledge obtained from different basic disciplines. Third, although trainees quickly learn that there is no single answer to, or solution of, a case problem, they are nevertheless expected to arrive at useful generalisations and principles. Fourth, since cases are usually based upon real problem situations the trainees interest in them tends to be very great. Fifth, the method is accepted by everyone, for it deals with detailed descriptions of real-life situations. Finally, if the problems faced by managers are described, the trainees become increasingly aware of obscurities, contradictions and uncertainties they encounter in their business careers and the need for remedial action.

Demerits: The method has been criticised on many grounds. First, it may degenerate into a mere dreary demonstration of dusty museum-pieces, if it is taught only from books at developing centres of learning. Second, instruction in the methods of analysis may not be given due importance. It may suppress the critical faculties of medicore trainees, and the habit of bunking by analogies may develop. Third, the cases become permanent precedents in their minds and may be used indiscriminately, finally, the preparation of cases is difficult, for it needs money and time, and it is not quite certain that the outcome of this method would be worth the expenditure in money and men incurred on it

The method is extensively used in professional schools of law and business administration, in supervisory and executive training programmes in industry, and in teaching personnel management, human relations, labour relations, marketing, production management, business policy and other disciplines. In India, cases are prepared by the Administrative Staff College at Hyderabad and other 18 institutes of higher learning in management.

For an effective use of this method, it is essential that.

(a) The group of learners should be of such persons as are fairly well advanced in understanding the different concepts of management;

(ii) The case should be a faithful representation of the issues involved as objectively as possible without any observation and comments from the case writer;

(iii) It should be comprehensive and well-documented with a proper history, facts and figures, thus enabling students to see the organisation and the historical setting in which the reported events took place;

(iv) The case report should be realistic and based on first-hand information. It should not contain opinions discussed as factual information.

(v) The case situation should be reproduced in full and should be of the Harvard School type or a part of it may be presented in a film, or on television or on tape or recreated through role-playing ;

5. **Role-playing :** This method was developed by Moreno, a Venetian psychiatrist. He coined the terms "role-playing," "role-reversal," "socio-drama," "psychodrama," and a variety of specialised terms, with emphasis on learning human relations skills through practice and insight into one's own behavior and its effect upon others. It has been defined as "a method of human interaction which involves realistic behaviour in the imaginary situations." As Norman Major has pointed out, a "role-playing experience soon demonstrates the gap between 'thinking' and 'doing'. The idea of role-playing involves action, doing and practice."

In role-playing, trainees act out a given role as they would in a stage play. Two or more trainees are assigned parts to play before the rest of the class. These parts do not involve any memorisation of lines or any rehearsals. The role-players are simply informed of a situation and of the respective roles they have to play. Some time after the preliminary planning, the situation is acted out by the role-players.

Role-playing primarily involves employee-employer relationships – Hiring, firing, discussing a grievance procedure, conducting a post-appraisal interview or disciplining a subordinate or a salesman making a representation to a customer.

The **merits** of the role-playing method are:

(i) Learning by doing is emphasised;

(ii) Human sensitivity and interactions are stressed;

(iii) The knowledge of results is immediate;

(iv) Trainee interest and involvement tend to be high;

(v) It is a useful method to project the living conditions between learning in the classroom and working on a job and creating a live business situation in the classroom;

(vi) It develops skills and ability to apply knowledge, particularly in areas like human relations; and

(vii) It brings about desired changes in behaviour and attitudes.

Thus, role playing is especially useful in providing new insight and in presenting the trainee with opportunities to develop interactional skills. Unless the trainer engages in coaching or unless someone states the criteria for behaviour, however, role playing may not adhere to the objectives of the training programme and the reinforcement of the desired behaviour may be somewhat lacking. In other words, it is conceivable that the practice the trainee gets in interpersonal relations could be faulty.

6. **Programmed Instruction (or Teaching by the Machine Method):** Programmed instruction involves a sequence of step which are often set up through the central panel of an electronic computer as guides in the performance of a desired operation or series of operation. It incorporates a pre-arranged, proposed, or desired course of proceedings pertaining to the learning or acquisition of some specific skills or general knowledge. A programmed instruction involves breaking information down into meaningful units and then arranging these in a proper way to form a logical and sequential learning programme or package.

In such a programme, knowledge is imparted with the use of a textbook or a teaching machine. The programme involves: presenting question, facts or problems to the trainee to utilise the information given; and the trainee instantly receives feedback (and some rewards or penalties) on the basis of the accuracy of his answers.

The **merits** of the methods are:

(i) trainees learn at their own pace;

(ii) Instructors are not a key part in learning;

(iii) The materials to be learned are broken down into small units;

(iv) Immediate feedback is available;

(v) Active learner participation takes place at each step in the programme;

(vi) Individual differences can be taken into account;

(vii) Training can be imparted at odd times and in odd places; and

(viii) There is a high level of learner motivation.

However, this method suffers from certain **demerits** too. These are:

(i) The impersonality of instructional setting;

(ii) An advanced study is not possible until preliminary information has been acquired;

*(iii)*Only factual subject matters can be programmed;

(iv) Philosophical and attitudinal concepts and motor skills cannot be taught by this method; and

(v) The cost of creating any such programme is very great.

This method is primarily used in teaching factual knowledge, such as mathematics, physics, a foreign language, etc.

7. **T-Group Training:** This usually comprises association, audiovisual aids, and planned reading programmes.

   Members of a professional association receive training by it in new techniques and ideas pertaining to their own vocations. Through a regular supply of professional journals and informal social contacts or gatherings, members are kept informed of the latest development in their particular field.

   Audio-visual aids – records, tapes, and films are generally used in conjunction with other conventional teaching methods.

The Training Procedure

One of the better personnel programmes to come out World War II was the Training Within the Industry (TWI) programme of the War Manpower Commission. This was basically a supervisory training programme to make up for the shortage of civilian supervisory skills during the war. One of the parts of this programme was the job instruction training course, which was concerned with how to teach? The training procedure discussed below is essentially an adoption of the job instruction training course, which has been proved to have a great value. The detailed training procedure is shown in Fig. 6.2.

The important steps in training procedure are discussed below:

(a) *Preparing the InstructorThe* instructor must know both the job to be taught and how to teach it. The job must be divided into logical parts so that each can be taught at a proper time without the trainee losing plan. For each part one should have in mind the desired technique of instruction, that is, whether a particular point is best taught by illustration, demonstration or explanation.

   A serious and committed instructor must:

   (i) know the job or subject he is attempting to teach,

   (ii) have the aptitude and abilities to teach,

   (iii) have willingness towards the profession,

(iv) have a pleasing personality and capacity for leadership,

(v) have the knowledge of teaching principles and methods,

(vi) be a permanent student, in the sense that he should equip himself with the latest concepts and knowledge.

(b) *Preparing the Trainee:* As in interviewing, the first step in training is to attempt to place the trainee at ease. Most people are somewhat nervous when approaching an unfamiliar task. Though the instructor may have executed this training procedure, many times he or she never forgets its newness to the trainee. The quality of empathy is a mark of the good instructor.

(c) *Getting Ready to Teach:* This stage of the programme is class hour teaching involving the following activities:

— Planning the programme.

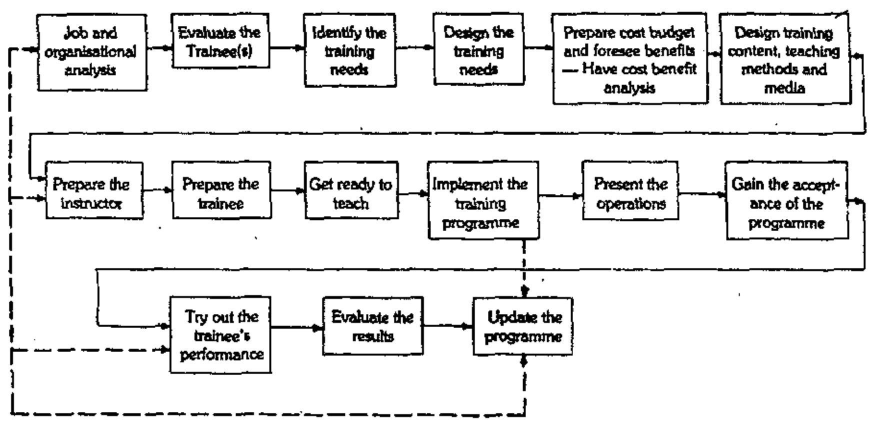


Figure 6.2: Training Procedure

— Preparing the instructor's outline.

— Do not try to cover too much material.

— Keep the session moving along logically.

— Discuss each item in depth.

— Repeat, but in different words.

— Take the material from standardised texts when it is available.

— When the standardised text is not available, develop the programme and course content based on group approach. Group consists of employer, skilled employees, supervisors, trade union leaders and others familiar with job requirements. Group prepares teaching material.

— Teach about the standard for the trainee like quality, quantity, waste or scrap, ability to work without supervision, knowledge or procedure, safety rules, human relations etc.

— Remember your standard, before you teach.

— Take periodical progress of the trainees, and application into account. Planning Training Sessions is presented in Exhibit 6.2.

Exhibit 6.2 : Planning Training Sessions

1. Every lesson should be planned.
2. Know how many and what kind of students you are teaching?
3. Lay out the subject-matter.
4. Select the best method of instruction.
5. Decide what the students need in the way of preparation.

6. Make plans to capture and maintain student interest
7. Plan summary of points to be emphasised.
8. Plan for using of training aids, if any.
9. Have a rehearsal of the lesson?
10. Plan for examination questions.

(d) *Presenting the Operation:* There are various alternative ways of presenting the operation, viz., explanation, demonstration etc. An instructor mostly uses these methods of explanation. In addition one may illustrate various points through the use of pictures, charts, diagrams and other training aids Exhibit 6.3 presents training aids. Demonstration is an excellent device when the job is essentially physical in nature. The following sequence is a favourite with some instructors:

(i) Explain the sequence of the entire job.

(ii) Do the job step-by-step according to the procedure.

*(iii)*Explain the step that he is performing.

(iv) Have the trainee explain the entire job.

(e) *Try Out the Trainee's Performance:* As a continuation of the presentation sequence given above, the trainee should be asked to start the job or operative procedure. Some instructors prefer that the trainee explains each step before doing it, particularly if the operation involves any danger. The trainee, through repetitive practice, will acquire more skill.

Exhibit 6.3 : Training Aids

- Films, Slides, Projectors, Movies, Stills.
- Charts, Graphs, Rash Cards, Flannel Boards, Pictograms.
- Pamphlets, Brochures, Handbooks, Manuals.
- Libraries and Reading Rooms.
- Teaching Machines, Closed Circuit TV.
- Exhibits, Posters and Displays.
- Notice Boards, Bulletin Boards, Enlarged Drawings.
- Cartoons, Comic Books, Books.

(f) *Follow-up;* The final step in most training procedures is that of follow-up. When people are involved in any problem or procedure, it is unwise to assume that things are always constant. Follow-up can be adopted to a variable reinforcement schedule as suggested in the discussion of learning principles. The follow-up system 1 should provide feed-back on training effectiveness and on total value of training system as shown in Fig. 6.3.

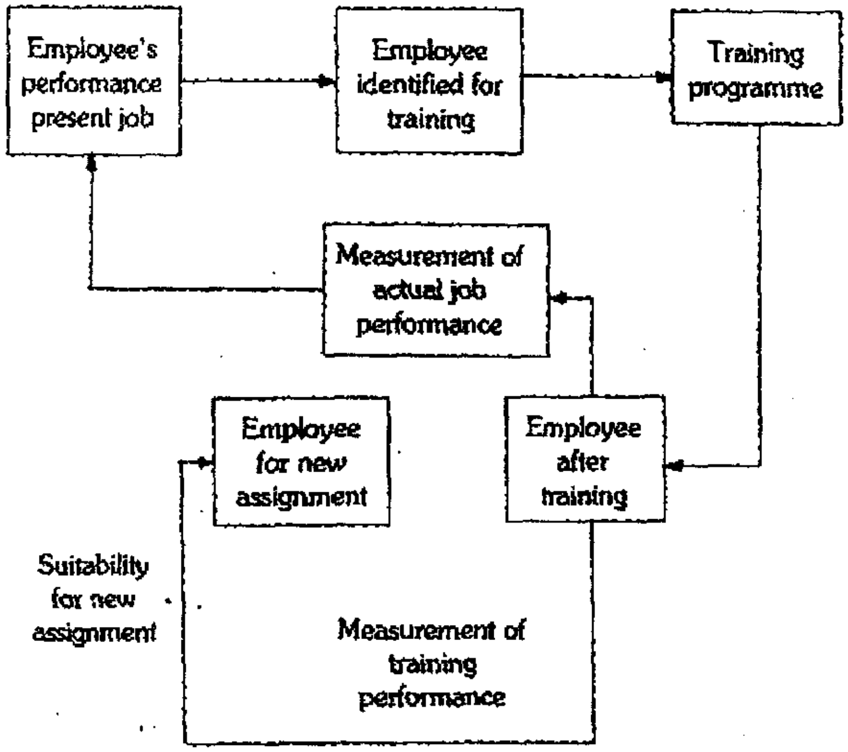


Figure 6.3 : Model for Feedback on Training. Advantages of Training

The contributions of imparting training to a Company should be readily apparent. The major values are:

(i) *Increased Productivity:* An increase in skill usually results in an increment in both quality and quantity of output. However, the increasingly technical nature of modern jobs demands systematic training to make possible even minimum levels of accomplishment.

(ii) *Hightened Morale:* Possession of needed skills help to meet such basic human needs as security and ego satisfaction. Collaborate personnel and human relations programmes can make a contribution toward morale, but they are hollow shells if there is no solid core of meaningful work down with knowledge, skill and pride.

(iii) *Reduced Supervision:* The trained employee is one who can perform with limited supervision. Both employee and supervisor want less supervision but greater independence is not possible unless the employee is adequately trained.

(iv) *Reduced Accidents:* More accidents are caused by deficiencies in people than by deficiencies in equipment and working conditions. Proper training in both job skills and safety attitudes should contribute toward a reduction in the accident rate.

(v) *Increased Organisational Stability:* The ability of an organisation to sustain its effectiveness despite the loss of key personnel, can be developed only through creation of a reservoir of employees. Flexibility, the ability to adjust to short-run variations in the volume of work requires personnel with multiple skills to permit their transfer to jobs where the demand is highest.

General Observations

General observation should not be overlooked as a means of training evaluation. The immediate supervisor is often a good judge of the skill level of his subordinates. For on-the-job training programmes, the supervisor is, in effect, the judge of his or her own efforts. If the supervisor is treated as a part of the professional management of the organisation and is properly selected and trained, this self-analysis and appraisal can be quite accurate and objective. The efficient supervisor observes accurately the level of skill and knowledge acquired by the trainee during the training programme. He also observes how effectively the trainees apply the acquired skill and knowledge to the present and future jobs.

Human Resource Factors

Training programme can also be evaluated on the basis of employee satisfaction which in turn can be viewed on the basis of:

(i) Decrease in employee turnover.

(ii) Decrease in absenteeism.

(iii) Decrease in number and severity of accidents.

(iv) Betterment of employee morale.

(v) Decrease in grievance and disciplinary cases.

(vi) Reduction in time to earn piece rates.

(vii) Decrease in number of discharges or dismissals.

(viii) Measurement of levels in absenteeism, turnover, wastage/scrap, accidents, breakage of the machinery during pre and post period of the training programme.

(ix) Seeking opinions of trainee's subordinates regarding his/her job performance and behaviour.

Feedback

Training evaluation information should be provided to the trainer and/or instructors, trainees and all other parties concerned for control, correction and improvement of trainees activities. Further the training evaluator should follow it up to ensure implementation of the evaluation report at every stage. Feedback information can be collected on the basis of questionnaire or through interview. Model questionnaire for feedback information regarding the programme of the training session is shown in Exhibit 6.3 whilst the model questionnaire for feedback information in general is shown in Exhibit 6.4.

EXIBIT 6.4

Porogramme Feedback (Trainning Session)

Programme on 'Time Management'

Keeping in view the contents of each lecture the manner of its presentation and the involvement of the participate acnieved how do you rate the following? Be as objectinve as possible in expressin your view remain confidental. Please do not write *your name anywhere on this sheet.*

Dy General Manager (Trainning)

S.No.	Session	*Rating*				*Comments, if any*
		Poor	*Satisfactory*	*Very Good*	*Excellent-Good*	
1.	Talk on Time as a valuable Resource.					
2.	What do we do with our Time?					
3.	Time Analysis and organising for effective Time Management.					
4.	Role of Delegation in Management of Time.					
5.	Constraints to effective Management of Time and coming to Grip with Time wasters.					
6.	Managing Time and Executive Stress.					

Source: Staff College, Indian Telephone Industries Ltd., Bangalore.

Training Programme Feedback — A Model

Programme Feedback (General)

Please give below your evaluation of the programme that you have attended. Be as objective as possible in expressing your views. We want your free and unbiased viewon this programme for designing such programme in future. Your views would remain confident. Please do not write your name anywhere on these sheets.

Dy. General Manager (Training) 1. Keeping your expectations in view, how do you rate the programme?

1. Keeping your expectations in view, how do you rate the programme?

1	2	3	4	5
Poor	Satisfactory	Good	Very good	Excellent

2. Which of the sessions you have found most useful to you in your work?
3. Which of the sessions have interested you most?
4. How do you feel about the following?

   (a) Workload in the programme

   (b) Duration of the programme

   (c) Programme design

   (d) Programme faculty

   (e) Programme co-ordination

   (f) Learning in the programme

   (g) Programme venue

   (h) Class room facilities

   (i) Living facilities

   (j) Food
5. Others (specify) What are your suggestions for improving such programme in future?

Source: Staff College, Indian Telephone Industries Ltd. Bangalore.

Evaluation of Training Progrmame

The specification of values forms a basis for evaluation. The basis of evaluation and the mode of collection of information necessary for evaluation should be determined at the planning stage. The process of training evaluation has been defined as "any attempt to obtain information on the effects of training performance, and to assess the value of training in the light of that information."[10] Evaluation leads to controlling and correcting the training programme.

Hamblin suggested five levels at which evaluation of training can take place, viz., reactions, learning, job behaviour, organisation and ultimate value.

(i) *Reactions:* Training programme is evaluated on the basis of trainee's reactions to the usefulness of coverage of the matter, depth of the course content, method of presentation, teaching methods etc.

(ii) *Learning:* Training programme, trainer's ability and trainee ability are evaluated on the basis of quantity of content learned and time in which it is learned and learner's ability tc use or apply, the content he learned.

(iii) *Job Behavioural:* Evaluation includes the manner and extent to which the trainee has applied his learning to his job.

(iv) *Organisation:* This evaluation measures the use of training, learning and change in the job behaviour of the department/organisation in the form of increased productivity, quality, morale, sales turnover and the like.

(v) *Ultimate Value:* It is the measurement of ultimate result of the contributions of the training programme to the Company goals like survival, growth, profitability etc., and to the individual goals like development of personality and social goals like maximising social benefit.

Readings

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3. Kapoor, T.N., Personnel Management and Industrial Relations in India, N.M. Tripathi (P) Ltd., Bombay, 1968.
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Chapter 7
Wages and Salary

Introduction

Wages and salaries represent a substantial part of total costs in most of the organisations. Although to the economist these are variable costs, but to the businessmen, they are becoming ever increasing costs in view of the ability of unions to win upward adjustments. Instances of general wage or salary reductions are rare and where it is necessary to reduce labour costs, this is accomplished more and more through technological changes resulting in increasing the productivity of workers. Notwithstanding this, the control of wage and salary levels is of paramount importance, even though the amount of control which can be exerted may vary among organisations and within an organisation from time to time.

The general objectives of the wage and salary administration are as follows:

1. Control of costs.
2. Establishment of fair and equitable remuneration.
3. Utilisation of wages and salaries as an incentive to greater employee productivity.
4. Maintenance of a satisfactory public relations image.

To achieve these objectives, the responsibility for wage and salary administration usually lies with the top management (i.e. Board of Directors in case of a company) or the chief executive officer who in turn, is expected to develop policies and procedures which will accomplish the company's objectives. The Personnel Managers plays an important role in developing the wage policies and procedures. In many organisations, the task is entrusted to Wage and Salary Committee composed of line and staff executives. The functions of wage and salary committee or any other person connected with wage and salary administration are:

1. To approve the systems of job description and job evaluation.
2. To check all activities of the salary administration group against the company policies.
3. To recommend to top management the wage policies for the administration of the wage programme.
4. To recommend changes in wage policies and in the salary or wage level.
5. To review wage and salary schemes department-wise.
6. To recommend to top management specific raises for executives above a specified limit.

Terminology and Concepts

What is wage and salary administration? Wage salary administration is essentially the application of a systematic approach to the problem of ensuring that employees are paid in a logical, equitable and fair manner.

Wage: Wage and salary are often discussed in loose sense, as they are used interchangeably. But ILO defined the term wage as "the remuneration paid by the employer for the services of hourly, daily, weekly and fortnightly employees."[7] It also means that remuneration paid to production and maintenance or blue collar employees.

Salary- The term salary is defined as the remuneration paid to the clerical and managerial personnel employed on monthly or annual basis. This distinction between wage and salary does not seem to be valid in these days of human resources approach where all employees are treated as human resources and are viewed at par. Hence, these two terms can be used interchangeably. As such, the term wage and/or salary can be defined as the direct remuneration paid to an employee compensating his services to an organisation. Salary is also known as basic pay.

Earnings- Earnings are the total amount of remuneration received by an employee during a given period. These include salary (pay), dearness allowance, house rent allowance, city compensatory allowance, other allowances overtime payments etc.

Nominal Wage: It is the wage paid or received in monetary terms. It is also known as money wage.

Real Wage: Real wage is the amount of wage arrived after discounting nominal wage by the living cost. It represents the purchasing power of money wage.

Take Home Salary: It is the amount of salary left to the employee after making authorised deductions like contribution to the provident fund, life insurance premium, income tax, and other charges.

Minimum Wage: It is the amount of remuneration which could meet the "normal needs of the average employee regarded as a human being living in a civilised society. It is defined as the amount or remuneration, "which may be sufficient to enable a worker to live in reasonable comfort having regard to all obligations to which an average worker would ordinarily be subjected to,"8

Statutory Minimum Wage: It is amount of remuneration fixed according to the provision of the minimum wage Act, 1948.

Salaries are paid uniformly generally on monthly basis and at times the element of incentive is introduced in the form of commission. In addition to time, wages may also be based on actual production, *i.e.*, the number of units produced by the workers.

Wage Rate. It is a wage received by a worker for a unit of time or production excluding special payments for overtime, night work and incentive earnings. If the wage rate is determined by job evaluation, it is called standard wage rate.

Wage Scale. It means putting together all properly evaluated standard wages rates arranged in sequence according to evaluation of the job and size of the rate.

Nominal Wages. Wages expressed in terms of money are called nominal wages.

Real Wages. The goods and services which could be purchased with the help of money wages are known as real wages. Nominal wages divided by a cost of living or consumer price index give real wages.

Fringe Benefits. These refer to compensation given to employees, over and above wages, that often is not directly related to output, performance, or time worked.

Take Home Pay. It refers to earnings minus deductions for taxes, social security or E.S.I.S. or Provident Fund. union dues, contributions, etc .

Meaning of Wages

Compensation is what employees receive in exchange for their contribution to the organisation. Generally, employees offer their services for three types of rewards Pay refers to the base wages and salaries employees normally receive. Compensation form such as bonuses, commissions and profit sharing plans are incentives designed to encourage employees to produce results beyond normal expectation. Benefits such as insurance, medical, recreational, retirement, etc. represent a more indirect type of compensation. So the term compensation is a comprehensive one including pay, incentive as, benefits offered by employees for hiring the services of employees. In addition to these, managers have to observe legal formalities that offer physical as well as financial security to employees. All these issues play on important role in any HR deptt's efforts to obtain, maintain and retain an effective workforce.

Employee compensation is a vital part of HRM. Wages, salaries and other forms of employee compensation constitute a very large component of operating costs. One of the biggest factor's affecting industrial relations in the salary or wage – the compensation an employee receives for a fair day's work. Majority of union management disputes relate to remuneration. No organisation can expect to attract and retain qualified and motivated employees unless it pays them fair compensation. Employee compensation, therefore, influences vitally the growth and profitability of the company. For employees, pay is more than a means of satisfying their physical needs. It provides them a sense of recognition and determines their social status. Remuneration is directly or indirectly one of the mainsprings of motivation in our society. Wages and salavis have significant influence our distribution of income, consumption, savings, employment and prices. This is all the more significant in an under – developed country like India suffering from problems of concentration of income, inflation and unemployment. Thus imployee compensation is a very significant issue from the view point of employers, employees and the nation as a whole. Employee compensation may be classified into two categories.

(i) Base or primary compensation. (ii) Supplementary Compensation.

Base or primary compensation refers to basic pay in the form of wages and salaries. It is a fixed and non-incentive payment on the basis of time expended on the job. Supplementary compensation consists of incentive and variable payments, based on either individual output of the group as a whole. In this chapter we are concerned with base compensation. Supplementary compensation is explained in the next chapter.

Administration of employee compensation is called compensation management or wage and salary administration. It involves formulation and implementation of policies and programmes relating to wages, salaries and other forms of employee compensation. It includes job evaluation, wage/salary survey, development and maintenance of wage structure rules for administration of wages, profit sharing and other incentives and control of payroll costs. The basic purpose of wage and salary administration is to establish and maintain an equitable wage and salary structure and an equitable labour cost structure.

Objectives of Wage and Salary Administration

A sound wage and salary administration seeks to achieve the following objectives:

(i) *To establish a fair and equitable remuneration:* There should be internal and external equity in remuneration paid to employees. Internal equity means similar pay for similar work. In other words, wage differentials between jobs should be in proportion of differences in the worth of jobs. External equity implies pay for a job should be equal to pay for a similar job in other organisations. Payments based on jobs requirements, employee performance and industry levels minimise favouritism and inequities in pay.

(ii) *To attract competent personnel:* A sound wage and salary administration helps to attract qualified and hard-working people by ensuring an adequate payment for all jobs.

(iii) *To retain the present employees:* By paying at competitive levels, the company can retain its personnel. It can minimise the incidence of quitting and increase employee loyalty.

(iv) *To improve productivity:* Sound wage and salary administration helps to improve the motivation and morale of employees which in turn lead to higher productivity.

(v) *To control costs:* Through sound wage and salary administration labour and administrative costs can be kept in line with the ability of the company to pay. It facilitates administration and control of pay roll. The company can systematically plan (payroll budgeting) and control labour costs.

(vi) To establish job sequences and lines of promotion wherever applicable.

(vii) *To improve union management relations:* Wages and salaries based on systematic analysis of jobs and prevailing pay levels are more acceptable to trade unions. Therefore, sound wage and salary administration simplifies collective bargaining and negotiations over pay. It reduces grievances arising out of wage inequities.

(viii) *To improve public image of the company:* Wage and salary programme also seeks to project the image of a progressive employer and to comply with legal requirements relating to wages and salaries.

Principles of Wage and Salary Administration

The following guidelines should be followed in the administration of wages and salaries:

(i) Wage policy should be developed keeping in view the interests of the employer, the employees, the consumers and the community.

(ii) Wage policy should be stated clearly in writing to ensure uniform and consistent application.

(iii) Wage and salary plans should be consistent with the overall plans of the company. Compensation planning should be an integral part of financial planning.

(iv) Wage and salary plans should be sufficiently flexible or responsive to changes in internal and external conditions of the organisation.

(v) Management should ensure that employees know and understand the wage policy of the company. Workers should be associated in formulation and implementation of wage policy.

(vi) All wage and salary decisions should be checked against the standards set in advance in the wage policy.

(vii) Wage and salary plans should simplify and expedite administrative process.

(viii) An adequate database and proper organisational set up should be developed for compensation determination and administration.

(ix) Wage policy and programme should be reviewed and revised periodically in conformity with changing needs.

Essentials of a Satisfactory Wage Policy

The main requirements of a sound wage policy of base compensation are as follows:

1. **Internal Equity:** It implies a proper relationship between wages paid for different jobs within the company. If, for example, the salary of a clerk is lower than that of a peon, there is lack of internal equity. Pay differentials should be related directly to differentials in job requirements. Fair pay differentials between jobs can be established with the help of job evaluation. Job evaluation helps to determine relative worth of a job. It is useful in eliminating widely varying wages for jobs of equal difficulty. It also minimises wage differentials on the basis of sex, religion, caste, etc. Thus, the relationship of wages and salaries paid for different jobs is just as important for good personnel relations as is the firm's general level of wages".

2. **External Competitiveness:** Wages and salaries in the organisation should be in line with wages and salaries for comparable jobs in other organisations. Otherwise the organisation may not be able to attract and retain be competent personnel. Data relating to pay levels in other organisations can be collected through wage and salary survey. A salary survey reveals what other organisations pay for specific jobs and the basis for payment. Once the going rate prevailing in the region is known, the company can decide a higher or lower level for its employees without disturbing internal equity.

3. **Built-in Incentive:** Wage or salary plan should contain a built in incentive so as to motivate employees to perform better. Such an incentive can be developed through performance based payment. A part of the total payment should be linked to industrial or group performance. A sound performance appraisal system should be used to measure accurately and objectively the performance of individual employees.

4. **Link with Productivity:** Some part of the total pay should be linked to productivity. Such linkage is necessary because workers expect a share in productivity gains. This will also help to control labour costs.

5. **Maintain Real Wages:** At least a part of the increase in the cost of living should be nuetralised so as to protect the real wages of labour. Dearness allowance is used in India for this purpose.

6. **Increments:** Compensation policy can be good motivater if pay increases are linked with merit. But annual increments should partly be linked to seniority or years of service. The logic for seniority based increments is that as a person accumulates experience his skills get sharpened and his efficiency tends to increase.

Principles of Wage and Salary Administration

1. Differences in pay should be based on differences in job requirements.
2. Wage and salary level should be in line with those prevailing in the job market.

3. Follow the principle of equal pay for equal work.
4. Recognise individual differences in ability and contributions.
5. The employees and the trade union should be informed about the procedure used to establish wage rates.
6. The wages should be sufficient to ensure for the worker and his family reasonable standard of living.
7. There should be a clearly established procedure for hearing and adjusting complaints concerning wages.
8. The wage and salary structure should be flexible.
9. Wages due to employees should be paid correctly and promptly.
10. A wages committee should review and revise wages from time to time.

Theory of Wages

Different methods of wage payment are prevalent in different industries and in various countries. There may be payment by time or payment by results, including payment at piece rates.

Wages are fixed mainly as a result of individual bargaining, collective bargaining or by public or State regulation. How wages are determined has been the subject of several theories of wages. The main elements in these theories may be summed up as follows:

Subsistence Theory

This theory, also known as "**Iron Law of Wages**", was propounded by David Ricardo (1772-1823). This theory (1817) states that "The labourers are paid to enable them to subsist and perpetuate the race without increase or diminution". The theory was based on the assumption that if the workers were paid more than subsistence wage, their numbers would increase as they would procreate more; and this would bring down the rate of wages. If the wages fall below the subsistence level, the number of workers would decrease – as many would die of hunger, malnutrition, disease, cold, etc. and many would not marry, when that happened the wage rates would go up.

Wages Fund Theory

This theory was developed by Adam Smith (1723-1790). His basic assumption was that wages are paid out of a pre-determined fund of wealth which lay surplus with wealthy persons – as a result of savings. This fund could be utilised for employing labourers for work. If the fund was large, wages would be high: if it was small, wages would be reduced to the subsistence level. The demand for labour and the wages that could be paid them were determined by the size of the fund.

The Surplus Value Theory of Wages

This theory owes its development to Karl Marx (1849-1883). According to this theory, the labour was an article of commerce, which could be purchased on payment of 'subsistence price'. The price of any product was determined by the labour time needed for producing it. The labourer was not paid in proportion to the time spent on work, but much less, and the surplus went to the over, to be utilised for paying other expenses.

Residual Claimant Theory

Francis A Walker (1840-1897) propounded this theory. According to him, there were four factors of production/ business activity viz., land, labour, capital and entrepreneurship. Wages represent the amount of value created in the production, which remains after payment has been made for all these factors of production. In other words, labour is the residual claimant.

Marginal Productivity Theory

This theory was developed by Philips Henry Wicksteed (England) and John Bates Clark (USA). According to this theory wages are based upon an entrepreneur's estimate of the value that will probably be produced by the last or marginal worker. In other words it assumes that wages depend upon the demand for, and supply of labour. Consequently, workers are paid what they are economically worth. The resort is that the employer has a larger share in profit as has not to pay to the non-marginal workers. As long as each additional worker contributes more to the total value than the cost in wages, it pays the employer to continue hiring: where this becomes uneconomic, the employer may resort to superior technology.

The Bargaining Theory of Wages

John Davidson propounded this theory. Under this theory, wages are determined by the relative bargaining power of workers on trade unions and of employers. When a trade union is involved, basic wages, fringe benefits, job differentials and individual differences tend to be determined by the relative strength of the organisation and the trade union.

Behavioural Theories

Many behavioural scientists – notably industrial psychologists and sociologists – like Marsh and Simon. Robert Dubin, Eliot Jacques have presented their view or wages and salaries, on the basis of research studies and action programmes conducted by them. Brieth such theories are:

The Employee's Acceptance of a Wage Level: This type of thinking takes into consideration the factors, which may induce an employee to stay on with a company. The size and prestige of the company, the power of the union, the wages and benefits that the employee receives in proportion to the contribution made by him – all have their impact.

The Internal Wages Structure: Social norms, traditions, customs prevalent in the organisation and psychological pressures on the management, the prestige attached to certain jobs in terms of social status, the need to maintain internal consistency in wages at the holder levels, the ratio of the maximum and minimum wage differentials, and the norms of span of control, and demand for specialised labour all affect the internal wage structure of an organisation.

Wage and Salaries and Motivators: Money often is looked upon as means of fulfilling the most basic needs of man. Food, clothing, shelter, transportation, insurance, pension plans, education and other physical maintenance and security factors are made available through the purchasing power provided by monetary income-wages and salaries. Merit increases, bonuses based on performance, and other forms of monetary recognition for achievement are genuine motivators. However, basic pay, cost of living increases and other wage increases unrelated to an individual's own productivity typically may fall into maintenance category.

Concept of Wage Minimum, fair and Living Wage

Some new terms have gained currently in India after independence. These are:

Statutory Minimum Wage is the wage determined according to the procedure prescribed by the relevant provisions of the Minimum Wages Act, 1948. Once the rates of such wages are fixed, it is the obligation of the employer to pay them, regardless of his ability to pay. Such wages are required to be fixed in certain employments where "sweated" labour is prevalent, or where there is a great chance of exploitation of labour.

Bare or Basic Minimum Wage is the wage which is to be fixed in accordance with the awards and judicial pronouncements of Industrial Tribunals, National Tribunals and Labour Courts. They are obligatory on the employers.

Minimum wage, and fair wage and living wage are the terms used by The Report of the Committee on Fair Wages, set up by the Government in 1948 to determine the principles on which fair wages should be based and to suggest how these principles should be applied. According to this Committee, the minimum wage should represent the lower limit of a fair wage. The next higher level is the fair wage, and the highest level of the fair wage is the living wage.

A minimum wage has been defined by the Committee as "the wage, which must provide not only for the bare sustenance of life, but for the preservation of the efficiency of the worker. For this purpose, the minimum wage must provide for some measure of education, medical requirements and amenities". In other words, a minimum wage should provide for the sustenance of the worker's family, for his efficiency, for the education of his family, for their medical care and for some amenities.

The question of determining the minimum wage is a very difficult one, for more than one reason. Conditions vary from place to place industry to industry and from worker to worker. The standard of living cannot be determined accurately. What then should be the quantum of the minimum wage? What is the size of the family it should support? Who should decide these questions? These issues are very difficult to decide. Moreover, since the cost of living varies with the price level it follows that this index should be periodically reviewed and modified.

However, the principles for determining minimum wages were evolved by the Government and have been incorporated in the Minimum Wages Act, 1948, the important principle being that minimum wages should provide not only for the bare sustenance of life but also for the preservation of the efficiency of the workers by way of education, medical care and other amenities.

Living Wage: This wage was recommended by the Committee as a fair wage and as ultimate goal in a wage policy. It defined a Living Wage as "one which should enable the earner to provide for himself and his family not only the bare essentials of food, clothing and shelter but a measure of frugal confront, including education for his children, protection against ill-health, requirements of essential social needs and a measure of insurance against the more important misfortunes, including old age". In other words, a living wage was to provide for a standard of living that would ensure good health for the worker, and his family as well as a measure of decency comfort, education for his children, and protection against misfortunes. This obviously implied a high level of living.

Such a wage was so determined by keeping in view the national income and the capacity to pay of an industry. The Committee was of the option that although the provision of a living wage should be the ultimate goal, the present level of national income did not permit of the payment of a living wage on the basis of the standards prevalent in more advanced countries.

The goal of a living wage was to be achieved in three stages. *In the first stage,* the wage to be paid to the entire working class was to be established and stabilised. *In the second stage,* fair wages were to be established in the community-cum-industry. *In the third stage,* the working class was to be paid the living wage. The living wage may be somewhere between the lowest level of the minimum wage and the highest limit of the living wage, depending upon the bargaining power of labour, the capacity of the industry to pay the level of the national income, the general effect of the wage rise on neighbouring industries, the productivity of labour, the place of industry in the same or similar occupations in neighbouring localities.

Fair Wage: According to the Committee on Fair Wages. "It is the wage which is above the minimum wage but below the living wage". The lower limit of the fair wage is obviously the minimum wage: the upper limit is set by the "capacity of the industry to pay". Between these two limits, the actual wages should depend on considerations of such factors as:

(a) The productivity of labour;

(b) The prevailing rates of wages in the same or neighbouring localities;

(c) The level of the national income and its distribution; and

(d) The place of industry in the economy of the country.

The Need-Based Minimum Wage: The Indian Labour Conference, at its 15th session held in July 1957, suggested that minimum wage fixation should be *need-based,* and should meet the minimum needs of an industrial worker. For the calculation of the minimum wage, the Conference accepted the following norms and recommended that they should guide all wage – fixing authorities, including the Minimum Wage Committee, Wage-Boards, and adjudicators:

(i) The standard working case family should be taken to consist of 3 consumption units for the earner; the earnings of women, children and adolescents should be disregarded.

(ii) The minimum food requirements should be calculated on the basis of the net intake of 2,700 calories, as recommended by Dr. Akroyd, for an average Indian adult of moderate activity.

(iii) The clothing requirements should be estimated at a per capita consumption of 18 yards per annum, which would mean, for an average worker's family of four a total of 72 yards.

(iv) In respect of housing, the norms should be the minimum rent charged by the government in any area for houses provided under the Subsidised Housing Scheme for low-income groups; and

(v) Fuel, lighting and other miscellaneous items of expenditure should constitute 20 per cent of the total minimum wage.

Ever since the L.I.C. made its recommendations on the need-based minimum wage, attempts were made by several government and private agencies and trade union organisations to work out its monetary equivalent. These estimates have varied considerably.

Basic Kinds of Wage Plans

There are two major kinds of wage and salary payment plans: those under which remuneration does not vary with output or the quality of output, but depends on the time unit consumed in performing work. These are known as *time wage plans*. The time unit may be the day, week, fortnight or month. Time plans are non-incentive in the sense that earnings during a given time period do not vary with the productivity of an employee during that period.

The *second plan* is concerned with the output or some other measure of productivity during a given period of time. To earn more an employee is required to put in more labour and produce more. This kind is known as the *piece or output wage plan.* It is a direct financial incentive plan.

Thus, the "time" and the "output" wage plan are the two basic systems. All the other plans are simply variations of these two.

Elements or Ingredients of a Good Wage Plan

Before we discuss these two plans, it would be fruitful to know the ingredients of a good wage plan. These are:

(i) **It should be easily understandable,** i.e., all the employees should easily understand what they are to get for their work. They should be instructed in how the wage plan works.

(ii) **It should be capable of easy computation,** i.e., it should be sufficiently simple to permit quick calculation. Mathematical tables may be supplied, by reference to which calculations can be quickly made.

(iii) **It should be capable of effectively motivating the employees,** i.e., it should provide an incentive for work. if both the quality and quantity of work are to be stressed at the same time, a plan should be selected that will not unduly influence the worker to work too fast or to become careless of quality.

(iv) **It should provide for remuneration to employees** as soon as possible after the effort has been made. Daily or weekly payment of wages would be preferable to induce employees to work.

(v) **It should be relatively stable** rather than frequently varying so that employees are assured of a stable amount of money.

Methods of Wage Payment

Time Wage: This is the oldest and the most common method of fixing wages. Under this system, workers are paid according to the work done during a certain period of time, at the rate of so much per hour, per day, per week, per fortnight or per month or any other fixed period of time. The essential point is that the production of a worker is not take into consideration in fixing the wages: he is paid at the settled rate as soon as the time contracted for is spent.

Merits: The merits of the system are:

(i) It is simple, for the amount earned by a worker can be easy calculated.

(ii) As there is no time limit for the execution of a job, workmen as not in a hurry to finish it and this may mean that they will pay attention the quality of their work.

(iii) As all the workmen employed for doing a particular kind work receive the same wages, ill will and jealousy among them avoided.

(iv) Due to the slow and steady pace of the worker, there is no row handling of machinery, which is a distinct advantage for the employee.

(v) It is the only system that can be used profitably where output of an individual workman or groups of employees cannot readily measured.

(vi) The day or time wage provides a regular and stable income the worker and he can, therefore, adjust his budget accordingly.

(vii) This system is favoured by organised labour, for it makes for solidarity among the workers of a particular class.

(viii)It requires less administrative attention that others because the very basis of the time wages contract are good faith and mutual confidence between the parties.

Demerits: The main drawbacks of this system are:

(i) It does not take into account the fact that men are of different abilities and that if all the persons are paid equally, better workmen will have no incentive to work harder and better. They will therefore be drawn down to the level of the least efficient workman. Halsey observes: "Matters naturally settle down to an easy-going pace in which the work-men have little interest in their work and the employer pays extravagantly for his product". Taylor says: "The men are paid according to the position which they fill and not according to their character, energy, skill and reliability".

(ii) The labour charges for a particular job do not remain constant. This puts the authorities in a difficult position in the matter of quoting rates for a particular piece of work.

(iii) As there is no specific demand on the worker that a piece of work needs to be completed in a given period of time, there is always the possibility f a systematic evasion of work by workmen.

(iv) This system permits many a man to work at a task for which he has neither taste nor ability, when he might make the mark in some other job.

(v) As the employer does not know the amount of work that will be put in by each worker, the total expenditure on wages for turning out a certain piece of work cannot be adequately assessed.

(vi) As no record of an individual worker's output is maintained, it becomes difficult for the employer to determine his relative efficiency for purposes of promotion.

Piece Wage: Under this system, workers are paid according to the amount of work done or the number of units completed, the rate of each unit being settled in advance, irrespective of the time taken to do the task. This does not mean that a worker can take any time to complete a job because if his performance far exceeds the time, which his employer expects he would take, the overhead charge for each unit of article will increase. There is indirect implication that a worker should not take more than the average time. If he consistently takes more time than the average time, he does it at the risk of losing his job.

Under this plan, a worker, working in given conditions and with given machinery, is paid exactly in proportion to his physical output. He is paid in direct proportion to his output, the actual amount of pay per unit of service being approximately equal to the marginal value of his service in assisting to produce that output.

This system is adopted generally in jobs of a repetitive nature, where tasks can be readily measured, inspected and counted. It is particularly suitable for standardised processes, and it appeals to skilled and efficient workers who can increase their earnings by working to their full capacity. In weaving and spinning in the textile industry, the raising of coal in the mines, the plucking of leaves in plantations, and in the shoe industry, this system can be very useful. But its application is difficult where different grades of workers are employed on different and immeasurable services, as in the gas and electricity industries.

A worker's earnings can be calculated on the basis of the following formula:

WE=NR, where WE is the worker's earning, N stands for the number of pieces produced and R for the rate per piece.

Merits: This system has many advantages:

(i) It pays the workman according to his efficiency as reflected in the amount of work turned out by him. It satisfies an industrious and efficient worker, for he finds that his efficiency is adequately rewarded. This gives him a direct stimulus to increase his production.

(ii) Supervision charges are not so heavy, for workers are not likely to while away their time since they know that their wages are dependent upon the amount of work turned out by them.

(iii) Being interested in the continuity of his work, a workman is likely to take greater care to prevent a breakdown in the machine or in the workshop. This is a point of considerable gain to the management, for it reduces plant maintenance charges.

(iv) As the direct labour cost per unit of production remains fixed and constant, calculation of costs while filling tenders and estimates becomes easier.

(v) Not only are output and wages increased, but the methods of production too are improved, for the worker demands materials free from defects and machinery in perfect running conditions.

(vi) The total unit cost of production comes down with a larger output because the fixed overhead burden can be distributed over a grater number of units.

Demerits: The demerits of the system are:

(i) In spite of the advantages accruing to the management as well as to the workmen, the system is not particularly favoured by workers. The main reason for this is that the fixation of piece rate by the employer is not done on a scientific basis. In most cases, he determines the rate by the rule-of-thumb method, and when he finds that the workers doing the same task on a day-rate basis, pressure is brought to bear upon the workers for a cut in the piece rate. Halsey observes: "cutting the piece price is simply killing the goose that lays the golden eggs. Nevertheless, the goose must be killed. Without it, the employer will continue to pay extravagantly for his work; with it he will stifle the rising ambition of his men".

(ii) As the workers wish to perform their work at breakneck speed, they generally consume more power, overwork the machines, and do not try to avoid wastage of materials. This results in a high cost of production and lower profits.

(iii) There is a greater chance of deterioration in the quality of work owing to over-zealousness on the part of workers to increase production. This over-zealousness may tell upon their health, resulting in a loss of efficiency.

(iv) It encourages soldiering: and there "arises a system of hypocrisy and deceit, because to escape further cuts they begin to produce less and also regard their employers as their enemies, to be opposed in everything they want".

(v) Excessive speeding of work may result in frequent wear and tear of plant and machinery and frequent replacement.

(vi) Trade unions are often opposed to this system, for it encourages rivalry among workers and endangers their solidarity in labour disputes.

3. Balance or Debt Method: This is a combination of time and piece rates. The worker is guaranteed an hourly or a day-rate with an alternative piece rate. If the earnings of a worker calculated at the piece rate exceed the amount which he would have earned if paid on time basis, he gets credit for the balance, i.e., the excess piece rate earnings over the time rate earnings. If his piece rate earnings are equal to his time rate earnings, the question of excess payment does not arise. Where piece rate earnings are less than time rate earnings, he is paid on the basis of the time rate; but the excess which he is paid is carried forward as a debt against him to be recovered from any future balance of piece work earnings over time work earnings. This system presupposes the fixation of time and piece rates on a scientific basis.

Let us suppose that the piece rate for a unit of work is Rs.1.00 and the time rate is Rs.0.37½ an hour, the weekly work hours are 40 and the number of units to be completed during these 40 hours is 16. (Table 7.1).

It will be seen that the debit during the second week has completely eliminated the credit of Rs.1.00 obtained during the first week. The worker will be paid his guaranteed time rate, in this case Rs.15.00 in the first week and the same amount in the second week, although his earnings during the first week are Rs.16.00 and during the second week they are Rs.14.00. An adjustment will be made periodically to find out the balance to be paid to him.

The obvious merit of this system is that an efficient worker has an opportunity to increase his wages. At the same time, workers of ordinary ability, by getting the guaranteed time wage, are given a sufficient incentive to attain the same standard, even though the excess paid to them is later deducted from their future credit balance.

TABLE 7.1

Balance Method

Name of Worker	Units Completed	Total Earnings Under Piece Rate	Total Earnings Under Time Rate	Credit	Debit	Balance
Sohan(First week)	16	Rs.16/-	Rs.15/-	Rs.17/-	Nil	Rs.1/-
Sohan(Second week)	14	Rs.14/-	Rs.15/-	Rs. Nil	Nil	Rs.1/-

Factors Influencing Wage and Salary Structure and Administration

The wage policies of different organisations vary somewhat. Marginal units pay the minimum necessary to attract the required number and kind of labour. Often, these units pay only the minimum wage rates required by labour legislation, and recruit marginal labour. At the other extreme, some units pay well above the going rates in the labour market. They do so to attract and retain the highest calibre of the labour force. Some managers believe in the economy of higher calibre of the labour force. Some managers believe in the economy of higher wages. They feel that, by paying high wages, they would attract better workers who will produce more than the average worker in the industry. This greater production per employee means greater output per man hour. Hence, labour costs may turn out to be lower than those existing in firms using marginal labour. Some units pay high wages because of a combination of favourable product market demand, higher ability to pay and the bargaining power of a trade union. But a large number of them seek to be competitive in their wage programme, i.e., they aim at paying somewhere near the going rate in the labour market for the various classes of labour they employ. Most units give greater weight to two wage criteria, viz., job requirements and the prevailing rates of wages in the labour market. Other factors, such as changes in the cost of living, the supply and demand of labour, and the ability to pay are accorded a secondary importance.

A sound wage policy is to adopt a job evaluation programme in order to establish fair differentials in wages based upon differences in job contents. Besides the basic factors provided by a job description and job evaluation, those that are usually taken into consideration for wage and salary administration are:

(i) The organisation's ability to pay;
(ii) Supply and demand of labour'
(iii) The prevailing market rate'
(iv) The cost of living'
(v) Living wage'
(vi) Productivity'
(vii) Trade Union's Bargaining power'
(viii) Job requirements;
(ix) Managerial attitudes; and
(x) Psychological and Sociological factors.

TABLE 7.2

Steps Involved in Determining an Individual's Wage Rate

Step 1	Step 2	Step 3	Step 4	Step 5	Results
Management's wage philosophy	+ Wage Theory	+ Overall general wage rate	+ Job wage rate for ranges	+ Performance appraisal	= Each individual's wage rate
Assumptions are made concerning what and how much remuneration should be and when increases should be given	+ Management has a theory concerning the source of funds from which wages can be paid	+Philosophy and theory are modified by the inter-action of the law of supply and demand, governmental factors, comparable wages, standard and cost of living, collective bargaining, ability to pay	+Job analysis is performed, which results in job specifications, which are then evaluated to determine a job's worth to an organisation	+Performance standards are established and, each individual's job performance and personal characteristics are appraised by means of some form of employee appraisal	

(i) **The organisations ability to Pay:** Wage increases should be given by those organisations which can afford them. Companies that have good sales and, therefore, high profits tend to pay higher wages than those which running at a loss or earning low profits because of the high cost of production or low sales. In the short run, the economic influence on the ability to pay is practically nil. All employers, irrespective of their profits or losses, must pay no less than their competitors and need pay no more if they wish to attract and keep workers. In the long run, the ability to pay very important. During time of prosperity, employers pay high wages to carry on profitable operations and because of their increased ability to pay. But during a period of depression, wages are cut because funds are not available. Marginal firms and non-profit organisations (like hospitals and educational institutions) pay relatively low wages because of low or no profits.

(ii) **Supply and Demand of Labour:** The labour market conditions or supply and demand forces operate at the national, regional and local levels, and determine organisational wage structure and level.

If the demand for certain skills is high and the supply is low, the result is a rise in the price to be paid for these skills. When prolonged and acute, these labour-market pressures probably force most organisations to "reclassify hard-to-fill jobs at a higher level" than that suggested by the job evaluation. The other alternative is to pay higher wages if the labour supply is scarce; and lower wages when it is excessive. Similarly, if there is great demand for labour expertise, wages rise; but if the demand for manpower skill is minimal, the wages will be relatively low. Mescon says: "The supply and demand compensation criterion is very closely related to the prevailing pay, comparable wage and on-going wage concepts since, in essence, all of these remuneration standards are determined by immediate market forces and factors."

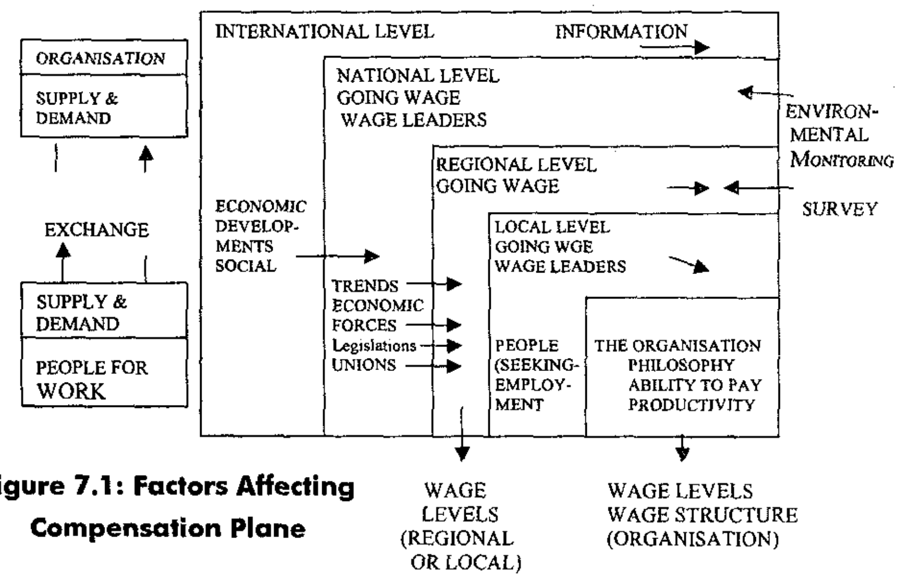

Figure 7.1: Factors Affecting Compensation Plane

(iii) **Prevailing Market Rate:** This is also known as the '*comparable wage*' or '*going wage rate*', and is the most widely used criterion. An organisation's compensation policies generally tend to conform to the wage-rates payable by the industry and the community. This is done for several reasons. *First,* competition demands that competitors adhere to the same relative wage level. *Second,* various government laws and judicial decisions make the adoption of uniform wage rates an attractive proposition. *Third,* trade unions encourage this practice so that their members can have equal pay equal work and geographical differences may be eliminated. *Fourth,* functionally related firms in the same industry require essentially the same quality of employees, with the same skills and experience. This results in a considerable uniformity in wage and salary rates. *Finally,* if the same or about the same general rates of wages are not paid to the employees as are paid by the organisation's competitors, it will not be able to attract and maintain a sufficient quantity and quality of manpower. Belcher and Atchison observe: "Some companies pay on the high side of the market in order to obtain goodwill or to insure an adequate supply of labour, while other organisations pay lower wages because economically they have to, or because by lowering hiring requirements they can keep jobs adequately manned".

(iv) **The cost of Living:** The cost-of-living pay criterion is usually regarded as an automatic minimum equity pay criterion. This criterion calls for pay adjustments based on increases or decreases in an acceptable cost of living index. In recognition of the influence of the cost of living, "escalator clauses" are written into labour contracts. When the cost of living increases, workers and trade unions demand adjusted wages to offset the erosion of real wages. However, when living costs are stable or decline, the management does not resort to this argument as a reason for wage reductions.

(v) **The living wage** criterion means that wages paid should be adequate to enable an employee to maintain himself and his family at a reasonable level of existence. However, employers do not generally favour using the concept of a living wage as a guide to wage determination because they prefer to base the wages of an employee on his contribution rather than on his need. Also, they feel that the level of living prescribed in a worker's budget is open to argument since it is based on subjective opinion.

(vi) **Productivity** is another criterion, and is measured in terms of output per man-hour. It is not due to labour efforts alone. Technological improvements, better organisation and management, the development of better methods of production by labour and management, greater ingenuity and skill by labour are all responsible for the increase in productivity. Actually, productivity measures the contribution of all the resource factors – men, machines, methods, materials and management. No productivity index can be devised which will measure only the productivity of a specific factor of production. Another problem is that productivity can be measured at several levels – job, plant, industry or national, economic level. Thus, although theoretically it is a sound compensation criterion, operationally many problems and complications arise because of definitional measurement and conceptual issues.

(vii) **Trade Union's Bargaining Power:** Trade unions do affect rate of wages. Generally, the stronger and more powerful the trade union, the higher the wages. A trade union's bargaining power is often measured in terms of its membership, its financial strength and the nature of its leadership. A strike or a threat of a strike is the most powerful weapon used by it. Sometimes trade unions force wages up faster than increases in productivity would allow and become responsible for unemployment or higher prices and inflation. However, for those remaining on the pay roll, a real gain is often achieved as a consequence of a trade union's stronger bargaining power.

(viii) **Job Requirements:** Generally, the more difficult a job, the higher are the wages. Measures of job difficulty are frequently used when the relative value of one job to another in an organisation is to be ascertained. Jobs are graded according to the relative skill, effort, responsibility, and job conditions required.

(ix) **Managerial Attitudes:** These have a decisive influence on the wage structure and wage level since judgement is exercised in many areas of wage and salary administration – including whether the firm should pay below average, or above average rates, what job factors should be used to reflect job worth, the weight to be given for performance or length of service, and so forth, both the structure and level of wages are bound to be affected accordingly. These matters require the approval of the top executives. Lester observes "Top management's desire to maintain or enhance the company's prestige has been a major factor in the wage policy of a number of firms. Desires to improve or maintain morale, to attract high-caliber employees, to reduce turnover, and to provide a high living standard for employees as possible also appear to be factors in management's wage-policy decisions".

(x) **Psychological and Social Factors:** These determine in a significant measure how hard a person will work for the compensation received or what pressures he will exist to get his compensation increased. Psychologically, persons perceive the level of wages as a measure of success in life; people may feel secure, have an inferiority complex, seem inadequate or feel the reverse of all these. They may or may not take pride in their work, or in the wages they get. Therefore, these things should not be overlooked by the management in establishing wage rates. Sociologically and ethically, people feel that "equal work should carry equal wages", that "wages should be commensurate with their efforts", that "they are not exploited, and that no distinction is made on the basis of caste, colour, sex or religion". To satisfy the conditions of equity, fairness and justice, a management should take these factors into consideration.

Concept of Wage Incentive

The term wage incentives has been used both in the restricted sense of participation and in the widest sense of financial motivation. It has been defined differently by different authors. We give below a few of these definitions.

"It is a term which refers to objectives in the external situation whose function is to increase or maintain, some already initiated activity, either in duration or in intensity." According to Hummel and Nickerson. "It refers to all the plans that provide extra pay for extra performance in addition to regular wages for a job." Florence observes: "It refers to increased willingness as distinguished from capacity. Incentives do not create but only aim to increase the national momentum towards productivity."

In the words of Scott, "it is any formal and announced programme under which the income of an individual, a small group, a plant work force or all the employees of a firm are partially or wholly related to some measure of productivity output."

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 **improvements** in the present or targeted results."

"A wage incentive scheme is essentially a managerial device of increasing a worker's productivity. Simultaneously, it is a method of sharing gains in productivity with workers by rewarding them financially for their increased rate of output".

Need of Wage Incentives

Incentives wages refer to performance linked compensation paid to improve motivation and productivity of employees. It implies monetary inducements offered to employees to perform beyond acceptance standards. It is related directly or indirectly to productivity and profitability of the enterprise. Wage incentives include all the plans that provide extra pay for extra performance in addition to regular wages for the job. It is a formal system under which the earnings of a worker, a small group or a plant workforce, are related partially or wholly to some measure of output. 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 improvements in the present or targeted results." In the words of Suri, "a wage incentive scheme is essentially a managerial device of increasing a worker's productivity. Simultaneously, it is a method of sharing gains in productivity with workers by rewarding them financially for their increased rate of output".

Thus, wage incentive plans are designed to improve productivity and to secure better utilisation of human and material resources of the enterprise.

Importance of Incentive Plans

Wage incentive schemes are considered beneficial to both employers and employees in the following ways:

(i) Before introducing an incentive plan, scientific work study is carried out. It helps to make improvements in work flow, work methods and man machine relationship.

(ii) Wage incentive plans provide an opportunity for hardworking and ambitious workers to earn more.

(iii) Employees are encouraged to become innovative. They think and envolve more efficient ways of doing work. Moreover, they bring to the notice of management wasteful practices and problems that retard productivity.

(iv) Incentive plans help to improve discipline and industrial relations. These plans are useful in minimising absenteeism, accidents, and go slow. This is because workers have an interest in increasing productivity.

(v) The costs of supervision are reduced, as workers themselves are motivated to work hard and improve performance so as to earn monetary rewards.

(vi) A spirit of mutual cooperation and teamwork is created among workers. As their activities are interdependent, any obstruction on the part of a worker can affect output and rewards.

(vii) Wage incentives are a sound technique of improving productivity. Workers are likely to work at their best when they are offered monetary rewards for good performance.

Limitations of Incentive Plans

Wage incentive schemes may cause the following it effects:

(i) In the absence of a ceiling on incentive earnings some workers may overwork and thereby spoil their health.

(ii) In order to maximise output, workers may sacrifice quality unless strict check or imprecation is maintained.

(iii) Once an incentive plan is introduced, management may face resistance while revising standards and rates due to changes in technology methods, machinery and materials.

(iv) Strict vigilance becomes necessary to ensure that workers do not disregard safety regulations.

(v) Introduction and administration of incentive plans increase the cost and time of clerical work.

(vi) Whenever production flow is disrupted due to the fault of management, workers insist on compensation.

(vii) Jealousy and conflicts among workers may arise when some workers earn more than others.

Essentials of ideal Incentive System

To be successful, a wage incentive system must satisfy the following requirements:

1. **Proper Climate.** In the absence of mutual trust and understanding between management and workers. A wage incentive system may be viewed as an attempt on the part of management to coerce for production. Therefore, management must develop sound industrial relations before introducing the plan. For this purpose, sound policies regarding recruitment, selection, placement, training, transfer, promotion etc. are required.

2. **Workers' Participation.** A wage incentive plan should be installed in consultation with workers and their union. Involvement of employees will ensure that they fully understand the objectives and mechanism of the plan.

3. **Scientific Standards.** The standards of performance for payment of incentives should be established through scientific work study free from bias and favouritism.

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. **Simplicity.** The incentive plan should be easy to understand and simple to operate so that a worker can calculate his own earnings. The linkage between pay and performance should be clear. Complicated plans and formulae create suspicion and distrust in the mind of workers.

6. **Equitable.** The plan should provide equal opportunity to all workers to earn incentive pay. Otherwise, it will cause dissatisfaction and jealousy among workers who have no opportunity to earn more. Some benefit of increased productivity should be given to indirect workers so as to avoid any disparity. In other words, the plans should be comprehensive so as to cover all the employees.

7. **Economical.** The plan should not be very costly in operation. Need for detailed records and complicated calculations increase costs. The potential benefits of the scheme should exceed its costs.

8. **Flexibility.** There should be scope for making changes in the scheme to rectify errors and to take care of changes in technology, market demand, etc. However, frequent changes should be avoided as these create confusion and doubt among workers.
9. **Prompt Payment.** The time gap between actual performance and incentive payment should be as small as possible. Once the job is completed, incentive should be paid as soon as possible.

Long-Term Wage Incentive Plans

Under such plans, each member of the group receives a 'bonus' based on the output of the group as a whole. There are several reasons for adopting such a plan. Sometimes (as on assembly lines) several jobs are inter-related. Here one worker's performance reflects not only his own effort but that of his co-workers too. In such cases, group incentive plans are advantageous. Secondly, such plans also encourage cooperation among group members. These tends to be less bickering among group members as to who has "tight" production standards and who has "loose" one. Thirdly, the groups can bring pressure to bear on their members (through badgering, ostracism, etc.) and help keep shirkers in line. This, in turn, can help eliminate some of the need for close supervision. Fourthly, group incentive payments vary less than individual ones. Finally, group incentive plans also facilitate on-the-job training, since each member of the group has a vested interest in getting a new group member trained as well and as quickly as possible.

The chief disadvantages of the group plans are: (i) each workers' rewards are no longer based soley or directly on his own efforts. To the extent that person does not see his effort leading to the desired reward a group plan is probably not as effective as an individual plan. (ii) There is unevenness of performance of different members against mere 'passengers'. (iii) Ill-feeling may be generated among the groups themselves where the technology is such that one groups' earnings depend on the performance of another group.

Group incentive plans are usually applied to small work groups, for example, 5 or 6 people who must assemble a component together. The incentives usually take three forms.

1. **A Standard Output:**

   (a) A standard output, i.e., target production, may be laid down for a month or a larger period and bonuses are paid if this is achieved.

   (b) A standard output per man-hour is laid down for a department or for the plant as a whole, and the bonus is paid in proportion to which the actual output per man-hour exceeds the standard, the other conditions of work remaining the same.

2. **The 'Value added' by manufacture** at factory cost leading to cost reduction forms the basis for calculating the bonus. If the actual cost of production is lower than the 'standard cost' to the extent the workers are able to influence such reduction—by harder working, saving in materials, fuels, lubricants, etc.—a bonus whose money value is a percentage to the cost reduction is paid.
3. **Bonus can also be calculated on the increased value of sales** where this result is obtained by increased production.

   The Group Incentive plans are usually:

   (i) The Profit sharing schemes, and

   (ii) The Scanlon Plan.

Profit Sharing

Profit-sharing is regarded as a stepping stone to industrial democracy. Prof. Seager observes: "Profit-sharing is an arrangement by which employees receive a share, fixed in advance of the profits." The International Co-operative Congress held in Paris in 1889 considered the issue and defined profit-sharing as "an agreement (formal or informal) freely entered into, by which an employee receives a share fixed in advance of the profits."

Profit sharing usually involves the determination of an organisations' profits at the end of the fiscal year and the distribution of a percentage of the profits to workers qualified to share in the earnings. The percentage to be shared by the workers is often predetermined at the beginning of the work period and is communicated to the workers so that they have some knowledge of their potential gaints. To enable the workers to participate in profit sharing, they are required to work a certain number of years and develop some seniority. The theory behind profit sharing is, that management feel its workers will fulfill their responsibilities more diligently if they realise that their efforts may result in higher profits, which will be returned to the workers through profit sharing.

Features of Profit-Sharing: The main features of the profit-sharing schemes are:

(a) The agreement is voluntary and based on joint consultation made freely between the employers and the employees.

(b) The payment may be in the form of cash, stock of future credits of some amount over and above the normal remuneration that would otherwise be paid to employees in a given situation.

(c) The employees should have some minimum qualifications, such as tenure or satisfy some other condition of service, which may be determined by the management.

(d) The agreement on profit-sharing having been mutually accepted, is binding and there is no room on the part of the employer to exercise discretion in a matter which in vital to the employees.

(e) The amount to be distributed among the participants is computed on the basis of some agreed formula, which is to be applied in all circumstances.

(f) The amount to be distributed depends on the profits earned by an enterprise.

(g) The proportion of the profits to be distributed among the employees is determined in advance.

It should be noted that profit-sharing is not a system of wage payment as such; it is something else. Profit-sharing and bonus (also known as profit-sharing bonus) are two different things, for the former sharing imples sharing on an equal footing rather than yielding on the part of a management to a persistent demand. Profit-sharing bonus on the other hand refers to the distribution of profits on the basis of a certain percentage of one's monthly wages. Moreover, it is not voluntary and is not based on agreement.

Profit-sharing is a distinctly progressive measure towards industrial harmony. It may be considered as a step short of joint consultation or co-partnership schemes. Wage-business affairs are managed and shared on a footing of equality. Essentially this means "the creation of a mental climate in which a strong sense has to grow that the business is the business of all, since it is the one cannot carry on a business without the help of the other. This is the inner essence of profit-sharing which has often been over-looked."

There are three main characteristics of labour remuneration in the form of profit-snaring, which distinguish it from gain-sharing and from an *ordinary system of wage payment*. These features are:

(a) A share in profits is payable at long intervals when the final accounts of a firm are prepared and its profit or loss ascertained.

(b) The payment is of an uncertain nature because of the uncertainty of profits. Sometimes there may be no profits or very high profits; in other cases, there may actually be some losses.

(c) The payment is not based on individual work, efficiency or merit, but is a remuneration for collective effort, the total remuneration due to workers being equally divided among them or in some agreed proportion.

(d) The payment is sometimes regarded as windfall gain or as something to which a worker is entitled and not as something in recognition of his efficiency.

Types of Profit-Sharing: Employee profit-sharing is often regarded by employers as a supplementary benefit programme.

Although plans differ widely as to specific details, three basic types of profit-sharing plans are in use:

(a) **Current** (cash) profits are paid directly to employees in cash or by cheque or in the form of stock as soon as profits are determined (e.g., monthly, quarterly, biannually or annually).

(b) **Deferred** profits are credited to employee accounts to be paid at the time of retirement or in particular circumstances (i.e., disability, death, severance or under withdrawal provisions during employment).

(c) **Combination** by which a part of the profits is paid in cash and a part is deferred and placed in the employee's account in a trust fund.

Objectives of Profit-Sharing: Profit-sharing is more than just another employee benefit. It may be the most important part of a progressive personnel policy. It may incorporate incentive features and produce results not possible by the implementation of other programmes. Companies, which offer this incentive, have realised higher profits and increased efficiency, and have created a climate for better employee relations.

The critical ingredient in profit-sharing is the desire of the employees and the management to ensure the success of a programme. The programme is formulated at the top because profit-sharing is first and foremost, a principle and technique of leadership.[32]

The real objective of profit-sharing is to foster " the unity of interest and the spirit of co-operation". From the point of view of the employees, profit-sharing may serve a multiple of objectives, depending upon the type of plan, which is adopted. A cash plan contributes directly to an employee's immediate economic gain. Deferred plans and combination plans contain features very similar to benefit plans which provide for retirement benefits and against loss of income following disability, for benefits to dependants in the event of the death of an employee, and for other related benefits. From the view point of the organisation, employee productivity is the overriding objective of profit-sharing. At the same time, it may contribute to employee satisfaction because profit-sharing provides for rewards, which are related to employee needs.

A profit-sharing scheme is generally introduced to achieve the following objectives:

(a) To promote industrial harmony and stabilisation of the work force;

(b) To eliminate waste in the use of materials and equipments;

(c) To instill a sense of partnership among employees and employers and to increase employee interest in the company in which he works;

(d) To attract desirable employees and retain them, thereby reducing the rate of turnover;

(e) To encourage employee thrift;

(f) To provide a group incentive for a larger output;

(g) To ensure employee security; and

(h) To demonstrate some measure of social justice to employees.

The purpose of profit-sharing is the achievement of industrial harmony.

Forms of Profit-Sharing: profit-sharing may be on –

(a) Industry Basis: Here the profits of a number of industrial units in the same industry may be pooled together to determine the share of laboures. Such a scheme has the advantage of putting the whole labour force in a particular industry on a uniform basis. Moreover, if a certain industrial unit somehow shows a loss in a particular year, its workers are not deprived of their remuneration because other units have made a good profit.

(b) Locality Basis: Industrial units in a particular locality may pool their profits to determine labour's remuneration by way of profit sharing. However, if there are heterogeneous industrial units in a locality, where labour's work is of a widely divergent nature, there may be great difficulties in bringing about an adjustment in their share.

(c) Unit Basis: This is the simplest way of giving a labourer a share in the profits of the individual undertaking in which he is employed. This mode of profit-sharing establishes a close relationship between the efforts of labour and rewards it receives. In the first two schemes, the reward of workers depends on the combined efforts of all in a number of units.

(d) Department Basis: Sometimes the various departments of an industrial unit may have their separate profit-sharing schemes. The workers in a particular department share in the profits made by that department. This aims at bringing about an even closer relationship between a worker's efforts and the reward he receives.

(e) Individual Basis: A worker receives a proportion of the profit, which may have been earned by a business through the efforts of that particular worker. This aims at bringing about a direct and most intimate relationship between individual effort and reward. In practice, it is impossible to determine such profits.

Requisites for Profit-Sharing: To be effective, profit-sharing schemes should be based on the following considerations:

(a) **Profitability of Industrial Units:** Industrial units should be profitable for, without profitability the profit-sharing scheme would not succeed. No scheme should be launched until business conditions are favourable. A business or any industry may be stabilised by an expansion in production, by the adoption of sound distribution methods and by keeping constant vigilance over its functioning. In other words, there should be comprehensive and flexible schemes for incentives and other kinds of bonus, which promote productivity. Until these essentials have become permanent features in an industry, unless working conditions in a business have been stabilised, the purchasing power of the people has considerably increased, and profits are sufficiently high to ensure their distribution between workers and shareholders, no profit-sharing scheme would be sound or anything more than a paper scheme.

(b) **Computation of Surplus Profit:** The computation of surplus profit for distribution should be arrived at by deducting from it normal and additional depreciation and initial or development rebate, so that the replacement or modernisation cost of plant and equipment is properly provided for. Losses, when they occur, should also be deducted before the profits for the subsequent year are declared. If additional bonus is to be paid, its payment will have to be made out of the balance left over after the above deductions. The margin of profits should be adequate and substantial so that, after providing for all these expenses, there must be a surplus of a sizable amount to be distributed among the workers.

(c) **Fair Return on Capital:** The return on the capital invested in an enterprise should be that which would encourage partnership investment. It should be at least 6 per cent on paid-up capital, with a charge of 10 per cent to be made for reserves.

The Scanlon Plan

This plan was developed in 1937 by Joseph Scanlon a Lecturer at the Massachusetts Institute of Technology and a trade union leader in a steel mill. The plan was designed to involve the workers in making suggestions for reducing the cost of operation and improving working methods and sharing in the gains of increased productivity.

The plan has two basic features: One, financial incentives aimed at cutting cost and thereby increasing efficiency are installed. Two, a network of departmental and plant screening committees are set up to evaluate employee and management cost-cutting suggestions. *The plan is essentially a suggestion system and assumes that efficiency requires company-wise/plant-wise co-operation.*

Usually all employees in the plant participate in the plan. Workers, supervisors, and managers make cost-cutting suggestions that are screened and evaluated by the various screening committees. If a suggestion is implemented and successful, all employees usually share in 75% of the savings, and the rest 20% is set-aside for the months in which labour costs exceed the standard.

The Scanlon plan has been successful where adopted. It tends to encourage a sense of partnership and sharing among workers, less overtime, and employee insistence on efficient management.

Certain condition need be fulfilled to make the plan successful:

(i) They are more effective where there is a relatively small number of participants, generally less than 1,000.

(ii) It is more successful where there are stable product lines and costs.

(iii) There should be good supervision and healthy labour relations.

(iv) There should be a strong commitment to plan on the part of management – particularly during the confusing phase in period.

Co-Partnership

Labour Co-partnership

Co-partnership is an extension of profit sharing. It is a system wherein employees are made partners of the enterprise and are allowed to participate in the management and control of the undertaking. Workers' share in the company's profits is paid in the form of shares by which they become entitled to participate in the decision making process. In this way, co-partnership involves both profit sharing and control sharing.

Advantages of Co-partnership

(i) Co-partnership helps to improve the status of employees. They become partners or shareholders of the company.

(ii) Employees get an opportunity to participate in the management of the enterprise.

(iii) There is improvement in labour management relations because their interests are interlinked.

(iv) The employees become more loyal and committed to the enterprise because their future is linked with the company's future.

Limitations of Co-partnership

Co-partnership has not been very successful due to the following reasons:

(i) Employees in general do not like the idea of co-partnership. They prefer to be wage earners rather than become coowners.

(ii) Trade unions oppose the attempt to make employees as shareholders.

(iii) Workers prefer bonus in cash rather than in the form of shares.

(iv) It is very risky for a worker to invest his savings in one company.

(v) The share of workers in the capital is too small and therefore, workers get very limited voting power.

Table 7.3: Distinction Between Profit-Sharing and Co-partnership

Basis of distinction	Profit-sharing	Co-partnership
1. Meaning	Workers share the company's profits in the specified ratio	Workers share both profits and control of the company
2. Scope	Narrow	Wide
3. Losses	Workers do not share loss	Workers share both profit and loss
4. Risk	No risk or responsibility	Risk and responsibility to workers
5. Status	Workers remain wage earners. No change in status	Workers become coowners and their status increases
6. Return	Workers get salary plus share in profits	Workers get salary plus dividend on their shares
7. Incentive	A type of incentive plan as share in profits is a supplement to normal wages	A type of worker's participation in management, a step towards industrial democracy
8. Applicability	Applicable in all types of business firms	Possible only in the case of companies having share capital

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Chapter 8
Trade Union

Trade Union is an outcome of the factory system. It is based on labour philosophy – "United we stand, divided we fall."

Industrial revolution in India has changed the traditional outlook in the labour management relationship with the introduction of the modern factory system personal relationship between employer and employee disappeared and it, in fact, has given rise to many social and economy evils which made it imperative on the part of the workers to devise an effective means to contact employers and to bargain with them. Foundation of trade unions has provided in an ideal solution.

The Trade Union Act, 1926, was enacted with a view to encourage the formation of permanent and stable trade unions and to protect their members from certain civic and criminal liabilities. The registration of a Trade Union is, however, not conclusive proof of its existence. The societies of Registration Act, 1860, Cooperative Society Act, 1912 and the Companies Act, 1956 do not apply to trade unions and registration thereof under any of these Act is void ab initio.

The commodity approach towards labour and machine concept of labour together with the management's concentration on their own goals, i.e., profit maximisation by exploiting labour resulted in the formation of trade union to make the managements aware of their responsibilities towards the most important resources of the organisation, i.e., human resource. Thus, trade union is formed to protect the interest of the employees. Trade union is an important actor or participant of industrial relations.

MEANING

The term trade union has been defined variously by different authors. Some view that there are only associations of employees or persons working in industry and wage earners engaged in one or more professions, undertaking or business while others view that these also include employers organisations and friendly societies.

According to G.D.H. Cole, a trade union means, "an association of workers in one or more professions- an association carried on mainly for the purpose of protecting and advancing the member's economic interests in connection with their daily work."

Dale Yoder defined a trade union as, "a continuing long term association of employees, formed and maintained for the specific purpose of advancing and protecting the interest of the members in their working relationship."

According to S.D.Punekar, " a union is a continuous association of persons in industry- whether employer or independent workers- formed primarily for the purpose of the pursuit of the interests of its members of the trade they represent."

Indian Trade Union Act, 1926 defined trade union as "any combination whether temporary or permanent formed primarily for the purpose of regulating the relations between workmen and employers or between workmen and workmen, between employers and employers or for imposing restrictive conditions on the conduct of any trade or business and include any federation or two or more trade unions.

Why do Workers Join Trade Unions?

Workers join trade unions to achieve their objectives which they could not achieve individually. Specifically workers join trade unions due to the following reasons.

(i) To attain economic security. In other words, securing permanent employment with higher salary and benefits.

(ii) To improve their bargaining power and balance it with that of management. Workers would like to restrain or resist the management's irrational, illogical and discriminatory actions. Workers can resist the management by improving their bargaining power which in turn requires joining in trade unions. Management's decisions regarding promotions, transfers, work assignment, grievance redressal, disciplinary issues can be challenged by a group of workers rather than any individual worker.

(iii) To ventilate the worker's grievances to the management.

(iv) To inform workers' views, aims, ideas and dissatisfaction/frustrations to the management.

(v) To secure protection from unexpected economic needs like illness, accidents injury etc.

(vi) To satisfy their social needs.

(vii) To satisfy their psychological needs.

(viii)To satisfy their needs for belongingness.

(ix) To secure power.

Characteristics of Trade Unions

An analysis of the above definitions on trade unions reveal the following characteristics of trade unions:

(i) The trade union may be an association either of the employers or employees or of independent workers.

(ii) Trade unions are relatively permanent combination of workers and are not temporary or casual.

(iii) Trade union as an association of workers who are engaged in securing economic benefits for their members.

(iv) The character of trade unions has been constantly changing.

(v) The origin and growth of trade unions has been influenced by a number of ideologies.

Trade unions are an essential feature of industry in every country. Trade unions emerged as a reaction to the factory system and capitalistic society. In the early stage of industrialisation, working class in the absence of legal protection felt exploited at the hands of employers. Workers joined hands to protect their interests through collective action. A trade union is, thus an organised expression of the needs, aspirations and attitudes of the working class.

Concept of Trade Union

According to Yoder, a trade union is "a continuing, long term association of employees, formed and maintained for the specific purpose of advancing and protection the interest of members in their working relationships". In the words of Punekar, "a *union is a continuous association of persons in industry* – *whether employees* or independent workers-formed primarily for the purpose of the pursuit of the interests of its members of the trade they represent". According to Giri, "trade union is a voluntary organisations of workers formed to promote and protect their interests by collective action."

Under the Trade Unions Act 1926, "a trade union is any combination of persons, whether temporary or permanent, formed primarily for the purpose of regulating the relations between workmen and employers, or between workmen and workmen, or between employers and employers, or for imposing restrictive conditions on the conduct of any trade or business, and includes the federation of two or more trade unions."

Analysis of these definitions will reveal the following characteristics of trade unions:

- ***Association:*** A trade union is an association or combination of employees. It has a large number of worker members from one or more occupations.
- ***Voluntary:*** Membership of a trade union is voluntary. Generally, there is no legal or other pressure to join a trade union and a person can join or leave the union on his free will.
- ***Permanent:*** A trade union is a continuing or permanent rather than a temporary or casual combination. It has to be a long term body as otherwise it cannot achieve its objectives.
- ***Community of Interest:*** Members of trade union have common interests and problems, which motivates them to unite. A union seeks to regulate relations between employees and workers.
- ***Collective Action:*** Trade unions always act through united action of members to protect and promote their economic and other interests.

- ***Sub-system:*** A trade union is a sub-system of the social system. Therefore, its character undergoes change with changes in economic, social, legal and political conditions in the country. A union functions collectively to protect and promote the interests of its members within a given socioeconomic system together in a body.

Objectives

The main objectives of trade unions are as follows:

- To secure for the worker fairer wages in the light of the cost of living and the prevailing standards of living;
- To improve working conditions by securing shorter working hours, better leave facilities, adequate social security, better housing and education and other welfare benefits;
- To assure the workers a share in the increased profitability of industry through payment of adequate bonus;
- To ensure security of employment by resisting retrenchment;
- To protect workers against exploitation and victimisation by the capitalists;
- To secure for workers a say in management and industrial democracy thereby bringing about a new social order; and
- To protect the larger interest of society by assisting in the improvement of trade and industry.

According to the Trade Unions Act 1926, "a trade union must work to protect and promote the interests of the workers and the conditions of their employment."

Need of Trade Union

Workers organise themselves into a trade union due to the following reasons.

- ***Steady Employment:*** Workers from a trade union to secure for them security of service. Unions take political action to get legislative protection against dismissal. They also resist any attempt of the employer to retrench workers.
- ***Economic Benefits:*** An individual worker is not in a position to secure good pay and proper working conditions from employer. He joins union because union has great bargaining power to get these economic benefits for workers.
- ***Check on Arbitrary Actions:*** If workers are not united, an employer may adopt arbitrary policies and procedures to exploit them. Workers form unions to ensure rational and uniform personnel policies and their unbiased implementation on the part of management.
- ***Economic Security:*** Unions protect their members from various economic hazards such as illness, accidental injury, unemployment. They contact employers to pay compensation and retirement benefits. Unions also have funds to provide financial support to distressed members.
- ***Self-Expression:*** Workers join unions to communicate with management. Union serves as a plate form through which a worker can his voice heard by the employer.
- ***Sense of Belonging:*** An ordinary worker has little sense of belonging in modern industry. By joining a union he can associate with fellow workers and gain social respect. He can also discuss his problems with leaders of the trade union. Trade unions generate a spirit of self-reliance and self-respect among workers.
- ***Recognition and participation:*** Workers can gain recognition as equal partners with employer by joining unions. They can participate in management of industry. They can influence decisions, affective their interests, through collective bargaining.
- ***Industrial Relations:*** Another reason for workers to join a union is the need for an adequate machinery to maintain proper relations between management and labour. Union provides this machinery through collective action.

- ***Leadership:*** Some workers join trade unions to fulfill their political ambitions. They use the union as an outlet to become leaders. They may rise in their political career by obtaining an office of the union.

Functions of Trade Unions

Trade unions perform several functions to achieve their objectives. The main functions of a trade union are as follows:

- ***Protection:*** Trade unions safeguard workers against all sorts of exploitation by the employer and political parties. A union provides protection from unfair labour practices and atrocities of management. It also tries to revise the status of workers in industry and society.
- ***Proper Standard of Living:*** Unions attempt to secure for workers fair wages, proper working conditions and welfare facilities like health, housing, recreation and social security so as to ensure desirable living standards for them.
- ***Grievance Redressal:*** A trade union takes up the individual and collective grievances of workers with the employer.
- ***Collective Bargaining:*** A trade union negotiates and bargains with the management to settle terms and conditions of employment.
- ***Participation:*** Trade unions work for achieving a better say of workers in the management of matters which directly influence the interests of workers. In this way unions attempt to establish democracy in industry.
- ***Protests:*** Unions organise demonstration, strikes and other form of protests to press the demands of workers. During a strike the union may provide financial and other help to members when the employer stops wages.
- ***Education:*** Many trade unions make arrangements for the education of workers and their family members. Unions make workers conscious of their rights and duties and aware of the need for technological changes.
- ***Welfare and Recreation:*** Some unions provide recreation, sports and other welfare facilities for their members.
- ***Legislation:*** Trade unions lobby with political parties and political leaders to secure legislative protection for workers from the Government.
- ***Representation:*** Trade unions represent working class in various national and international from such as Indian Labour Conference and International Labour Organisation (ILO).
- ***Advice:*** A trade union may provide advice and information to management on personnel policies and practices. Unions also impress upon workers the need to exercise restraint in the use of their rights. Unions assist employers in maintaining discipline and in increasing productivity.
- ***Communication:*** A trade union serves as a link between employers and workers so a to develop mutual understanding and cooperation between the two sides. Unions can also instill among workers a sense of responsibility towards industry an society. They can play a vital role in tackling social evils an in promotion national integration.

Origin, Growth and Development of Trade Union in India

Trade union movement in India started quite late. Bombay Millhands Association founded in 1890 by Shri N.M. Lokhandy, a factory worker, is said to be the first trade union in India. In subsequent years a number of unions were formed such as the Amalgamated Society of Railway Servants of India and Burma (1897), The Printers Union (1905), The Bombay Postal Union (1907), the Kamgar Hitwardhak Sabha (1909), and the Social Service League (1910).

These unions were loose and sectarian organisations set up by social reformers rather than by workers. They were friendly societies or welfare bodies.

There was a remarkable growth in labour movement between 1904 and 1917 and several strikes were organised. But trade unions remained confined by the large to upper ranks and educated section of the working class. Political developments like the partition of Bengal and the Swadeshi movement helped the trade union movement. However, the unions were largely local and loose dependent on external philanthropy.

At the end of World War-I, growing economic hardships, the Russian Revolution, the establishment of the ILO and other factors gave Philip to trade union movement. As a result, many unions were formed. The Textile Labour Association (1920), the All India Trade Union Congress (AITUC) ('910), Indian Seaman's Union, Railway Workers' Union, the Indian colliery Employees' Association, the Madras Textile Union were some of these unions. The All India Trade Union congress a loose federation was given authority for selecting delegates to represent Indian labour at the ILO Conference. Workers' Unions sprang up in jute, cotton, textiles, railways and port industries all over the country. The Trade Unions Act 1926 gave legal status to registered trade unions and conferred on them special privileges. Therefore, this law was an important landmark in the history of trade union movement in India. The Great Economic Depression, failure of The Bombay Textile Strike of 1929 and the Royal Commission on Labour (1929) brought a lull in trade union activity. Communists acquired a hold in the working class movement and the AITU emerged as the sole representative of the working class in India. Several major strikes were organised. A section of the leaders separated and formed and the RED Trade Union Congress (RTUC). The All Indian Railway men's Federation emerged another major body of workers. The labour movement remained divided.

Thirties was a period of unity in trade union movement. The National Federation of Labour was formed in 1933 to facilitate unity. The AIUTF and the railway unions amalgamated to form the National Trade Union Federation (NTUF). The RTUC merged into the AITUC. In 1940 the NTUF merged with AITUC. In 1941 radicals in the AITUC formed a new central federation called Indian Federation of Labour.

Table 8.1 Growth of Trade Unions In India

Year	No. of Registered Unions	No. of Unions submitting returns	Total Membership
1919-20	107	64	141
1931-32	131	121	236
1941-42	747	455	574
1951-52	4623	2556	1996
1961-62	11614	7087	3977
1971-72	22268	8011	
1981-82			
1991-92			

After independence, there was speedy growth in trade union due to support from both the Government and the society at large. However several splits occurred in central organisations of labour. In 1947, modems in the AITUC separated and formed the Indian National Trade Union Congress (INTUC). Hindustan Mazdoor Panchayat (HMP). HMP and Indian Federation of Labour came together and formed the Hindu Mazdoor Sabha (HMS). A section of HMS later on formed the United Trade Union Congress (UTUC) in 1949. A few receded from he HMS in 1959 and established the Hind Mazdoor Panchayat. In 1962, a new organisation called the Confederation of Free Trade Unions ICFTU) was formed. A season the communists (CPM) formed in 1970 the Centre Indian Union (CITU). OLD Congressmen severed themselves from the INTUC and formed the National Labour Organisation (NLO).

Representatives of the AITUC, INTUC and HMS established A National Council of Central Trade Unions (NCCTU) to provide a common platform for trade union activities. The basic aim was to isolate the CITU by setting up a United Council of Trade Unions (UCTU).

At present there are about 18000 registered trade unions and ten central labour organisations in India. Some important features of these unions are given below:

- Workers in India are unionised mainly on the basis of plants (industrial unions) rather than on the basis of crafts (crafts unions) Craft unions are formed among non-industrial and professional workers e.g. taxi drivers, journalists, teachers, bank employees, etc. On the basis of hirer there are three types of unions: (a) primary unions which operate at the plane level; (b) regional federations which work at the regional level, and (c) central labour organisations which function at the national level.
- The extent of unionisation is not uniform in all industries. Workers in some industries are better unionised than in others. For instance, about 70% of the workers in textile industry are unionised whereas only 21% of the workers in chemicals are unionised. Similarly, there is heavy concentration of unions is some States but in others there exist only a few unions.
- Most of the unions in India are small in size as they are of the 'one shop' type. Due to small size, the financial condition of unions is weak.
- Unionisation is not limited to blue-collar employees. White-collar workers are also unionised.
- The primary unions are affiliated to a number of central unions.
- There is very close link between trade unions and political parties. Most of the central labour organisations are under the control of one political party or the other.

Traditionally, trade unions in India have been playing the role of bargainers and agitators. But in future they will have to play new roles to meet the changing aspirations of the working class. These new activities are: (a) counselling (b) education and training (c) communication (d) employee welfare (e) family and vocational guidance (f) research and publications (g) human resource development, and (h) employee ownership.

Factors Affecting Growth of Trade Unions

The trade union movement has gathered momentum in the post-independence period. The factors governing its rapid growth are: International influences, the pressure of trade unon rivalries which are often the result of political or ideological differences, the government's industrial relations policies which have provided for compulsory adjudication and conferred special privileges on registered trade unions, and the desire of the workers for unity so that their interest may be safeguarded particularly when particularly when managements resort to discharges, dismissals, retrenchment, lockouts, lay-offs, etc.

It may be pointed out here that many trade unions have come up because of the stresses and strains of industrial development. They are, therefore, the direct offshoots of the industrial situation in the country. In the early stages of their development, trade unions were looked upon as trouble-makers and renegaders in the contest of the prevailing mores and norms of society. Now they are considered to be an essential part of the industrial scene, and are an important socio-economic institution in the country. To begin with, trade unions, were agitational, threatening and unreasonable organisations. They have now development—at least most of them have so developed—into persuasive and peaceful organisations.

Features and Weakness of Trade Unionism

A brief survey of the trade union movement in India indicates the following broad features of its growth and the weaknesses from which it has suffered:

(i) While the economic hardship of the workers have been the latent motivating forces behind the origin and growth of the trade union movement, the impetus for it has been provided by the major political parties in the country.

(ii) Influenced by various historical and institutional factors and by developments in the social, economic and political fields, trade unions have assumed a distinct political character. This fact is evident from their political affiliations, fro the exploitation of trade unions by politicians, and from inter-union and intra-union rivalries.

(iii) The political involvement of trade union leaders and union rivalries have weakened the trade union movement. So have the proliferation of trade unions, the absence of functional unity emong them, their irregular and small membership, the many unsuccessful strikes which they have sponsored, and the limited number of welfare programmes which they have sponsored and supported.

(iv) The control which political leaders have acquired over trade unions, the backwardness of the workers and their fear of victimization have discouraged them from actively participating in trade union acticities. As a result, trade unios are not as strong as they should be.

(v) Trade unio activity is generally concentrated in metropolitan centres wher large-scale industries are located. Here, again, it is the manual workers who are coveed by trade unio activity. The total membership of trade unions is only a small part of the total number of wage-earners. As a result, the trade union movement has touched only a small member os the working class population.

(vi) Many trade unios are small and have a small number of members. They are, therefore, not in a position to engage the services of experts to advise and guide them, and help them to face the challenge of employers. In other words, their financial position is weak; their bargaining position is weak; and they are not able to make their influence felt.

(vii) Trade Unions, which have brown very slowly, have not developed as effective voluntary organisations because of:

(a) The unrealistic labour policies of the government, idealistic and irrelevant notions of morality and the niceties of democratic behaviour which have stood in the way of formulating and implementing realistic policies;

(b) Moral idealism about goals and optimism about achieving them; and

(c) The government's encouragement of weak and dependent trade unions.

(viii) The loose and amorphous nature of trade union organisations, the majority character of labour, casteism, regionalism, and linguism which have divided the workers into heterogenous groups, and the hostile attitude of the employers—these are some of the other weaknesses and problems from which trade unions suffers.

Trade unions can become strong and effective organisations is the following suggestions are acted union:

(i) Paid union officials should be employed, so that they may devote their whole time to union work.

(ii) Leadership qualities should be developed among the rank and file. It would be desirable to initiate and implement a reorientation policy so that working clas leadership may be dissociated from political leadership and may be freed from purely political influences.

(iii) It should be constant endeavour of policy-makers to aim at the unity of trade union organisations, so that they may be brought together on the basis of a common programme of methods, objectives and procedures. In this way, they would become strong bargaining agents of their members.

(iv) There should be only one trade union in each industry, so that union rivalry may be avoided.

(v) Due recognition should be given to trade unions as the legitimate bargaining may be avoided.

(vi) The functions of trade union should be widened and broadened. In addition to safeguarding the economic interests of their members, they should be encouraged to assume social responsibilities. As far as possible, trade unions should be drawn into participation in the development programme of the country.

Types and Structure of Unions

Trade union can be classified according to: (1) the purpose for which they are established, and (2) types of their memberships.

Classified of Unions Based on Purpose

Trade unions based on their purposes can be broadly classified into: (i) Reformist and (ii) Revolutionary.

(i) ***Reformist Union:*** Reformist union aim at the preservation of the capitalist economy and maintenance of competitive production based industrial relations. They would like to continue the existing social. economic and political structures. Trade union seek to improve the wage level, working conditions, quality of work life by increasing the productivity level and by bargaining for a share in the increased productivity. Reformist unions are further classified into: (a) Business Unions and (b) Friendly or Uplift Unions.

(a) ***Business Unions:*** This type of unions are built around congenial employee employer cooperation. Business unions primarily protect the workers' interest by participating in collective bargaining with the employer. These unions generally been craft conscious rather than class conscious. These unions prefer voluntary arbitration and conditions.

(b) ***Friendly or Uplift Unions:*** These unions aspire to elevate the moral, intellectual and social life of workers. These unions concentrates on education, health, insurance and benefits. These unions are not craft conscious but interest-conscious of the workers. Though these unions emphasis on collective bargaining and mutual insurance they advocate cooperative enterprises and profit sharing.

(ii) ***Revolutionary Unions:*** These unions aim at replacing the present system with the new and different institutions based on the ideals that are regarded as preferable. These unions aim at destroying the capitalistic system, abolish private property and installing socialist or communistic systems. These unions are of two types: (a) political and (b) anarchist.

(a) ***Political Unions:*** The unions gain power through political action. These unions resort to political action to protect the workers' interest. The unions prefer minimisation of wage differentials.

(b) ***Anarchist Unions:*** These unions try to destroy the existing economic system by revolutionary means.

1.*Craft Unions:* It is an organisation of workers employed in a particular craft, trade or occupation. Therefore, such unions tend to be well knit and cohesive. Due to their identical training and skills, members of a craft union tend to develop similar outlook and unity among them is easier. Members are generally craft conscious rather than class conscious. A craft union has strong bargaining power because its workers possess a specialised skill, which cannot be easily replaced in strike. But a craft union lacks a clear perspective of the working class as whole. Due to different agreements in different crafts, joint action by workers belonging to different crafts is not easy. Craft unions tend to oppose technological advancements which destroy distinction between crafts and thereby the very basis of a craft union.

Craft unions are horizontal in character because their members belong to a single process or group of processes. In India, craft unions are found largely among white-collar workers and professional such as Government employees, bank employees, doctors, lawyers, teachers, etc. There are very few craft unions of industrial workers.

Advantages and Disadvantage of Craft Unions

Advantages:

(i) Craft unions give most stable relationship.

(ii) They provide needed training through apprenticeship.

(iii) They have strong bargaining power as they comprise of skilled employees.

(iv) They secure high wages and better benefits to their members.

Disadvantages:

(i) Employer can play one union against another and can also break the unions.

(ii) Craft unions have become irrelevant in the modern days due to increasing generality of service conditions of all classes of employees.

(iii) These unions keep majority of the workers outside the unionism.

2.***Industrial Unions:*** An industrial union is organised upon an industry wise rather than a craft wise basis. Its members belong to different crafts within the same industry. Ahmedabad Textile Labour Association, the Rashtriya Mill Mazdoor Sangh and the Gini Kamgar Union, Bombay are examples of industrial unions in India. These unions are vertical in nature because they consist of all types of workers in an industry.

Industrial unions are more powerful because they consist of both skilled and un skilled workers. Such a union cuts across skill and craft distinctions of workers. It is easier for the employer to bargain with one union to cover all workers of a particular industry. He is saved of the trouble of bargaining with a number of unions established on a craft basis. However, skilled workers may feel swamped by unskilled workers an their specific demands may not be met. In these days, technology and mass production have obliterated the craft distinctions and therefore, industrial unions are the need of the hour.

Advantages of Industrial Unions

According to the National Commission on Labour, 1969 the advantages of industrial unions are:

(i) They provide a joint facility for collective bargaining.

(ii) They introduced the measure of uniformity in the principle governing all aspects of service and working conditions.

(iii) They coordinate sectional claims of different level and different natures of employees within an industry.

3.***General Union:*** This type of union consists of workers employed in different industries and craft within a particular city or region. The Jamshedpur Labour Union is one example. In India there are several industry-cum-region unions due to the concentration of some industries in particular regions.

4.***Federations:*** These are national level bodies to which plant level union, crafts union, industrial union, and general unions are affiliated. Federations are the apex organizations of workers. They act as coordinating agencies. These are also called central trade union. The main federations in India are given in the following table:

Tables 8.2 Central Trade Union in India as on 31.12.1989

	Trade Union	Year of Formation	No. of Affiliated unions	No. member (in lakhs)
1.	Indian National Trade Union Congress (INTUC)	1947	4428	54.36
2.	All India Trade Union Congress (AITUC)	1920	2996	29.74
3.	Centre of Indian Trade Unions (CITU)	1970	3011	23.86
4.	Bharatiya Mazdoor Sangh (BMS)	1955	2871	40.81
5.	Hind Mazdoor Sabha (HMS)	1948	1248	43.56
6.	United Trade Union Congress (UTUC)	1971	413	7.85
7.	National Labour Organization (NLO)	------	356	6.61
8.	United Trade Union Centre (UTUC)	------	231	11.98
9.	Trade Union Coordination Centre (TUCC)	------	198	5.13
10.	National Front of Indian Trade Unions (NFITU)	1967	132	7.61
11.	Hind Mazdoor Kishan Panchayat (HMKP)	1962	81	15.61
12.	Indian Federation of Free Trade Unions (IFFTU)	------	26	5.15
13.	Indian Confederation of Labour (IEL)	------	23	8.46

In addition to the above, there are All India Bank Employees Association, National Federation of Indian Railway men, All India Port and Dock Workers Federation, National Federation of Post and Telegraph Workers, All India Mine Workers Federation, Indian Federation of Working Journalists and other such organisation.

Registration of Trade Unions

Under the Trade Unions Act 1926 only seven on more members of trade union can, by subscribing their names to the rules of the trade union and otherwise complying with the provisions of this Act, apply for registration. The application has to be made to the Registrar of Trade Unions. This application must be accompanied by a copy of the rules of the trade union and a statement of the following particulars:

- The names, occupations and addresses of the members making the application;
- The name of the trade union and the address of its head office; and
- The titles, names, ages, addresses and occupations of the office bearers of the trade union.

Where a Trade Union has been in existence for more than one year, a general statement of assets and liabilities of the Trade Union to be submitted to the Registrar along with other relevant documents.

Such registration is not given unless the executive is constituted according to the provisions of this Act and the rules of the union provide for the following matters:

1. the name of the trade union;
2. the whole of the object for which the trade union has been established;
3. the whole of the purposes for which the general funds of the trade union shall be applicable, all of which purposes shall be purposes to which such funds are lawfully applicable under this Act;
4. the maintenance of a list of the members of the trade union and adequate facilities for the inspection thereof by the office-bearers and members of the trade union;
5. the admission of ordinary members who shall be persons actually engaged or employed in an industry with which the trade union is connected;
6. the payment of a subscription by members of the trade union which shall be not less than 25 paise per month per member;
7. the conditions under which any member shall be entitled to any benefit assured by the rules and under which any fine or forfeiture may be imposed on the members;
8. the manner in which the rules shall be amended, varied or rescinded;
9. the manner in which the members of executive and the other office-bearers of the trade union shall be appointed and removed;
10. the safe custody of the funds of the trade union, and annual audit, in such manner as may be prescribed, of the accounts thereof, and adequate facilities for the inspection of the account books by the office-bearers and members of the trade union; and
11. the manner in which the trade union may be dissolved.

On registration, the Registrar issues a certificate of registration in the prescribed form. This is conclusive evidence that the said trade union has been duly registered.

Rights of a Registered Trade Union

1. A Registered trade union is a body corporate having a perpetual succession and common seal. It acquires a legal personality separate from its members. It can acquire and hold property and can enter into contracts in its own name. It can also sue and be sued in its own name.
2. A registered trade union has a right to maintain general funds and spend them for certain specified purposes.

3. A registered trade union can constitute a separate fund for political purposes.
4. The Act provides immunity to office bearers and members of a registered trade union from liability to punishment in respect of any agreement made between the members for the purpose of furthering its objects as specified in Section 15 unless the agreement is an to commit an offence.
5. A registered trade union enjoys immunity from civil action in respect of any act done in contemplation or furtherance of trade dispute to which a member of the trade union is party on the ground only that such act induces some other person to break a contract of employment, or that its is interference with the trade, business or employment of some other person to dispose of his capital or his labour as he wills.
6. A registered trade union can represent workmen to the Works Committee.

A registered trade union has the following liabilities:

i. To appoint only those persons as office bearers who do not suffer from the disqualification prescribed under the Act.

ii To maintains books of accounts and the list of members.

iii. To keep books and the list open for inspection by members.

iv. To submit annually to the Registrar of Trade Unions duly audited statements of recites and expenditure and assets and liabilities.

v. To furnish correct information to persons intending to become members.

Recognition of a trade union

The Act is completely silent on the question of recognising a trade union for the purpose of collective bargaining. Such a provision exists, however, in the Annexure A of the Code Discipline which is a voluntary measure. This Annexure lays down the following criteria for recognising a trade union:

1. Where there are more than one union, a union claiming recognition should have been functioning for at least one year after registration. Where there is only one union, this condition would not apply.
2. The membership of the union should cover at least fifteen per cent or the workers in the establishment concerned. Membership would be counted only of those who have paid their subscriptions for at least 3 months during the period of 6 months immediately preceding the reckoning.
3. A union may claim to be recognised as a representative union for workers in all establishments in an industry in a local area if it has a membership of at least 25 % of the workers of that industry in that area.
4. When a union has been recognised, there should be no change in its position for a period of 2 years.
5. Where there are several unions in an industry or establishment, the one with the largest membership should be recognised.
6. A representative union for an industry in an area should have the right to represent the workers in all the establishments in the industry, but if a union of workers in a particular establishment has membership of 50 % or more of workers of that establishment it should have the right to deal with matters of purely local interest such as, for instance, the handling of grievances pertaining to its own members. All other workers, who are not members of that union might either operate through the representative union for the industry or seek redress directly.
7. Only unions which observe the Code of Discipline are entitled to recognition.

Problem of Trade Union Recognition

Basically, employer have no obligation to recognise any trade union for the purpose of bargaining or otherwise. Initially, employers were hostile towards trade union. There was no provision existed in any state regarding trade union recognition before 1946. Bombay Industrial Relations Act, 1946 provided for the recognition of representative union in the local area. This act was also applied in Gujarat and in a modified version in Madhya Pradesh and Rajasthan. The criteria accepted at the 15th Tripartite Labour Conference in 1958 is followed in the rest of the country.

The criteria for Recognition are:

(i) It would be desirable to make recognition compulsory under a central law in all undertakings employing 100 or more workers or where the capital invested is above a stipulated size. A trade union seeking recognition as a bargaining agent from an individual employer should have a membership of at least 30 percent of workers in the establishment. The minimum membership should be 25% if recognition is sought for an industry in a local area.

(ii) The proposed National/State Industrial Relations Commission will have the power to decide the representative character of a union, either by examination of membership records, or, if it considers necessary, by holding an election by secret ballot open to all employees. The Commission shall deal with various aspects of union recognition, such as: (a) determining the level of recognition- whether plant, industry, center-cum-industry to decide the majority union, (b) certifying the majority union as a recognised union for collective bargaining, and (c) generally dealing with other related matters.

(iii) The recognised union should be statutorily given certain exclusive rights and facilities, such as right of sole representation, entering into collective agreements on terms of employment and conditions of service, collection of membership subscription within the premises of the undertaking, the right of check-off, holding of discussion with departmental representatives of its worker members within factory premises, inspective, by agreement, the place of work of only of its members, and nominating its representatives on works grievance committees and other tripartite committees.

(iv) The minority union should be allowed only the right to represent cases of dismissal and discharge of their members before the Labour Court.

Recognition Under the Maharashtra Act 1 of 1972

This Act was passed towards the end of 1971. According to this Act:

(i) A trade union must be registered under the Trade Union Act, 1926.

(ii) Only a registered trade union can be recognised.

(iii) There should be one union in one industry or undertaking or in more than one undertaking in a "local area".

(iv) The recognised union becomes the sole bargaining agent and its recognition cannot be challenged within a period of two years of its registration as a recognised union.

(v) The unrecognized minority unions have two rights, viz., (a) to meet and discuss with an employer or his representative the grievances of an individual member relating to his discharge, removal, retrenchment, termination of service and suspension, and (b) to appear on behalf of its members employed in the undertaking at any domestic or departmental enquiry held by the employer.

(vi) A union can apply for registration as the recognised union for an undertaking to the Industrial Court, set up under this Act, if during the preceding period of six months it had not less than 30% of the total number of employees employed in that undertaking as its members.

(vii) The Industrial Court would indicate its intentions to consider the application on the notice board of the undertaking and the employer or employee may, within a prescribed time, show cause why recognition should not be granted to the applicant union. While considering the objection should not be granted to the applicant union. While considering the objections, the Industrial Court is satisfied that those are not valid, it would grant recognition to the applicant union and issue a Certificate of Recognition. If it reaches the conclusion that any of other existing union, with 30% or more membership, has the largest membership, it may issue a certificate of recognition to that union.

(viii)There shall not at any time be more than one recognised union in respect of the same undertaking.

(ix) The Industrial Court shall not recognise any union, if it is satisfied that the application for its recognition is not made bona fide in the interest of the employees, but is made in the interest of the employer to the prejudice of the interest of the employees.

(x) The Industrial Court shall not recognise any union, if at any time within six months immediately preceding the date of application for recognition, the union has instigated, aided or assisted the commencement or continuation of a strike which is deemed to be illegal under the Act.

The recognition of the union can be cancelled by the Industrial Court under any of the following circumstances:

(i) If it was recognised under a mistake misrepresentation or fraud;

(ii) If the membership of the union as for continuous period of six months had fallen below the minimum prescribed; or

(iii) If the union after recognition has failed to observe all the conditions specified in Selection 19 (i.e., the membership subscription shall not be less than 50 paise per month), the executive committee shall meet at intervals of not more than three months and the auditor will audit the accounts at least once in a financial year; or

(iv) If the recognised union is not being conducted bona fide in the interest of the employees but in the interests of the employer; or

(v) If it has instigated, aided or assisted the commencement or continuation of a strike which is deemed to be illegal;

(vi) If the registration under the Trade Unions Act has been cancelled; or

(vii) If another union has been recognised in its place.

Rights of a recognised union: Annexure B of the Code of Discipline mentions the following rights of a recognised union:

i. It can raise issue and enter into collective agreements with employers on general questions concerning the terms of employment and conditions of service of workers in the establishment.

ii. It can collect membership fees from the members within the premises of the undertaking.

iii. It can put up a notice board on the premises of the undertaking and use it for announcements relating to meetings, etc.

iv. For the purpose of prevention or settlement of an industrial dispute:

   a. It can hold discussions on the premises of the undertaking with the employees who are members of the union. (But this should not interfere with the normal working of the undertaking).

   b. It can discuss with the employer or with any other person appointed by him in that behalf the grievances of employees in the undertaking.

   c. It can inspect any place in the undertaking where any member of the union is employed.

v. It can appoint its nominees on (a) Joint Management Councils, (b) Grievance Committee, and (c) any other non-statutory bipartite committee set up by management such as production committee, welfare committee, canteen committee, house allotment committee, etc.

The National Commission on Labour has recommended for compulsory recognition of trade unions by the employers under the central legislation in all industrial undertakings employing 100 or more workers or where the capital invested is above the stipulated size. In order to claim recognition by the individual employer the union must have the total membership of 30 % of the plant or establishment. The industrywise union in local area may, however, be recognised if the minimum membership is 25 %. The Commission has recommended that where recognition is sought by more than one union, the largest union should be recognised.

Characteristic of Successful Union

Trade union, to be successful in their functioning and in discharging responsibilities should possess the following characteristics.

(1) it must be strong enough in terms of membership, and finances in order to protect the members economic interest. Trade union must prove itself as an effective weapon against management militancy.

(2) The trade union must be responsible to its members in solving their problem, protecting their interest. Trade union should select an appropriate method for representing and solving workers' problems.

(3) The trade union must be internally democratic so as to respect the workers' right of self-government. The criteria to judge the union democracy include:

   (a) Regular participation of all its members in policy-making.

   (b) Direct and indirect control by all its members over vital decisions of the union on special occasions.

   (c) Reliance on officials to run day-to-day administration with adequate membership checks.

   (d) Trade Union Leadership should respond to the members demands Leaders should respond to the members demands both formally and informally.

   (e) Trade Union Leadership control should be based on the desires of the members.

Difficulties & Principal drawbacks of Trade Unions in India

Trade union movement in our country suffers from the following weaknesses:

1. ***Uneven Growth:*** Trade unions are concentrated in large scale industry sector and in big industrial centres. There is very little trade union activity in small scale sector, agricultural labour and domestic sector. Many workers still regard their employer as their 'mai-baap' and do not join unions. Differences of caste, language, religion, etc. among workers also weaken trade unions. Trade unionism has touched only a portion of the working class in India.

2. ***Small Size:*** Most of the unions have low membership. Though the number of unions and union membership are increasing, average membership is inadequate. Any seven workers can form a union under the Trade Union Act 1926 and get it registered. Most of the unions are plant unions and there is rivalry among the union leaders. As a result of these factors, a large number of small unions have grown.

3. ***Weak Financial Position:*** The average yearly income of unions is very low and inadequate. The subscription rates are low and many members do not pay the subscription in time. Workers are apathetic towards the unions and most of them are also poor. In order to increase the number of members, unions keep subscription rates low. Due to their financial weakness, most of the unions are not in a position to undertake welfare programmes for workers.

4. ***Political Leadership:*** Leadership of trade unions is not rooted in the working class. Trade unions are under the leadership and control of political parties and outsiders. Politicians exploit unions and workers for their personal and political gains. Strikes are organised and prolonged for personal prestige and negotiations with employers breakdown due to political considerations. Thus, the political leadership is very harmful to the trade union movement in India.

5. ***Multiplicity of Unions:*** The existence of rival unions with conflicting ideology is greatly responsible for unhealthy growth of trade union movement. There exist several unions in the same establishment or industry.

Trade Unions Act encourages a small sector of workers to form separate unions. Political outsiders establish unions of their own to increase their political influence. In some cases employers encourage split in unions to undermine their bargaining power.

6. ***Inter-Union Rivalry:*** Multiple unions create rivalry. Unions try to play down each other in order to gain greater influence among workers. Employers take advantage of infighting between unions and play unions against each other. They can also refuse to bargain on the plea that there is no representative union. Inter-union rivalry cuts at the very root of trade union movement, weakens the power of collective bargaining and reduces the effectiveness of workers in securing their legitimate rights.
7. ***Problem of Recognition:*** Employers are under no obligation to give recognition to any union. Many a times, the employers have refused recognition to trade unions on the contention that unions consist of only a minority of workers or that two or more unions exist.
8. A***bsence of Paid Office-Bearers:*** Most of the unions do not have fulltime paid office-bearers. Union activists working on honorary basis devote only limited time and energy to union activities. Union officers lack adequate knowledge and skill due to lack of proper training. Weak financial position and political leadership are the main reasons for this state of affairs.
9. ***Apathy of Members:*** Majority of workers do not take keen interest in union activities. The attendance at the general meetings of unions is very poor. Trade unionism can make little progress until members appreciate the need for supporting the movement for a common cause and take active part in the affairs of unions.
10. ***Opposition from Employers:*** Trade unions in India have to face opposition from employers. Many employers try to intimidate and victimise labour leaders, start rival unions and bribe union officials.

Measures for Strengthening Trade Union

Some of the steps that can be taken to make trade unions successful are given below:

1. ***Strong Base:*** In order to develop a strong trade union movement, it is essential to widen the unionism to unorganised sector and small towns. Workers in household, small scale and domestic sectors should form trade unions. The membership of unions should also be increased. For this purpose, a rigorous membership campaign should be launched.
2. ***Financial Stability:*** To improve the financial condition of the unions, the minimum subscription should be raised from 25 paise to Re 1 per month. National Commission on Labour suggested the check off system under which each worker would individually authorise the employer to deduct membership fee from his wages/salary and the employer pay the collections to the union. This will reduce the chances of defaults in payments by members and thereby improve the financial position of unions.
3. ***One Union in One Industry:*** The principle of one union in one industry should be adopted to avoid multiple unions and inter-union rivalry. A provision may be made in the Trade Unions Act that where more than one set of persons claims to be the office bearers of the same union, the matter should be decided by the Central Organisation to which the union i s affiliated or by Labour Courts.
4. ***Internal Leadership***: Leaders of union should be developed from within the rank and file of the workers. This will help to eliminate party politics and outsiders. There should be no ban on non-members holding executive positions in a union but the limit of outsiders in the executives of the unions should not exceed 25 per cent. Ex-employees should be treated as insiders. Arrangement should be made for education and training of workers and penalties should be imposed for victimisation of union leaders. A convention that no union office bearer will concurrently hold an office in a political party should be established and adopted. Unions should throw away the control of political parties and politicians.
5. ***Recognition of Unions:*** It should be made obligatory for employers to recognised the union in all undertakings

employing 100 or more workers. A trade union seeking recognition as bargaining agent should have a membership should be 25 percent if recognition is sought for an industry in a local area. The representative character of union may be decided through secret ballot and/or examination of membership records. The recognised union should be statutorily given only right to represent workers only in cases of dismissal or discharge.

6. ***Paid Officials:*** Full time paid official should be appointed to manage the affairs of trade unions. These officials should be competent and sincere. They should be men of integrity, able to evaluate workers' aspirations and strong enough to negotiate with employers on equal basis. They should be paid well.

Recommendaiton of National Commission on Labour for Strengthening Trade Unions

1. Regarding Enlargement of Functions

The N.C.L. has stated that the "Union must pay greater attention to the basic needs of its members which are: (i) to secure for workers fair wages; (ii) to safeguard security or tenure and improved conditions of services, (iii) to enlarge opportunities for promotion and training; (iv) to improve working and living conditions; (v) to provide for educational, cultural and recreational facilities; (vi) to cooperate in and facilitate technological advance by broadening the understanding of workers on its underlying issues; (vii) to promote identify of interests of the workers with their industry; (viii) to offer responsible cooperation in improving levels of production and productivity, discipline, and high standard or quality; and generally (ix) to promote individual and collective welfare." In addition, "unions should also undertake social responsibilities such as: (a) promotion of national integration, (b) influencing the socio-economic policies of the community through active participation in the formulation of these policies, and (c) instilling in their members a sense of responsibility towards industry and community."

The main objective should be to draw trade union as closely as possible into the entire development process.

2. Regarding Leadership

The N.C.L. has recommended in this respect that" (i) There should be no ban on non-employees holding the position in the executive of the unions' (ii) Steps should be taken to promote internal leadership and give it more responsible role; (iii) Internal leadership should be kept outside the pale of victimization; (iv) Permissible limit of outsiders in the executive of the unions should be reduced to 25% ; and (v) Ex-employees should not be treated as outsider."

3. Regarding Union Rivalries

In regard to union rivalries, the Commission was of the opinion that its recommendation regarding recognition of unions, building up of internal leadership shift to collective bargaining and institution of an independent authority for union recognition would reduce them. Intra-union rivalries should be left to the central organisation concerned to settled and if it is unable to resolve the dispute the Labour Court should be set up at the request of either group or on a motion by the government.

4. Regarding Registration

The Commission has recommended that registration should be cancelled if: (a) its membership fell below the minimum prescribed for registration; (b) the union failed to submit its annual return; (c) it submitted defective returns and defects were not rectified within the prescribed time; and (d) an application for deregistration should not be entertained within six months of the date of cancellation of registration.

5. Regarding Improvement of Financial Condition

To improve the financial conditions of the unions, the Commission recommended that the membership fees should be raised to Re.1 per month. It did not favour the existing arrangement of collecting one percent or even more by way of membership fee on the ground that it would mean different amounts within each slab for the same group of workers.

6. Verification of Membership

The Industrial Relations Commission should decide the representative character of a union, either by examination of membership records or if it considered necessary by holding an election by secret ballot open to all employees.

7. Recognition of the Unions

The N.C.L. has been of the opinion that "it would be desirable to make recognition compulsory under a Central Law in all undertakings employing 100 or more workers or where the capital invested is above a stipulated size. A trade union seeking recognition as a bargaining agent from an individual employer should have a membership or at least 30 percent of workers in that establishment. The minimum membership should be 25 percent, if recognition is sought for an industry in a local area. Where more unions than one contend for recognition, the union having the larger following should be recognised.

It is clear from the experiment of XYZ Company Ltd. that the scheme of management participation in trade unions makes the management to provide correct information to workers, consult and share information and wipe out misunderstandings between them and secure unreserved cooperation.

Table 8.3

Staff Strength (1986-87 to 1992-93)

Year	Workmen	Office Staff	Managerial Personnel	Total
1986-87	190	32	34	256
1987-88	193	31	33	257
1988-89	218	29	39	286
1989-90	217	29	34	280
1990-91	210	24	40	274
1991-92	214	25	41	280
1992-93	216	24	39	279

Table 8.4

Trends in Production, Capacity Utilisation and Breakage

Year	Production in Quantity (in lakh pieces)	Percentage of Capacity Utilisation	Percentage of Breakage to Total Production
1986-87	124.38	85	15.56
1987-88	78.86	53	24.88
1988-89	135.00	94	8.76
1989-90	153.81	107	7.35
1990-91	173.68	121	6.35
1991-92	174.35	121	6.02
1992-93	176.41	123	5.63

Table 8.5
Trends in Profits After Depreciation and Rate of Absenteeism

Year	Profit/Loss (Rs. In lakhs)	Rate of Absenteeism (per cent)
1986-87	6.75	14.46
1987-88	-33.73	14.17
1988-89	-8.84	13.85
1989-90	12.52	11.46
1990-91	59.50	10.46
1991-92	73.45	9.34
1992-93	81.36	8.22

What A Trade Union Should do?

Trade unions should not be content with protecting and improving the wages and conditions of work of their members but should also be concerned about all such matters by which the latter are likely to be affected, whether as producers or consumers, or as units of industrial manpower, or as citizens. In other words, they should look after the wide interests of workers, both when they are on the job and off it, and try to solve the problems by which their members are most vitally affected—their emotional disturbances and difficulties, their martial conflicts, and their personal adjustment problems. They should, moreover, assist in progressively raising the standard of living of the workers and in developing their personality by arranging educational programmes for them—literacy classes for adults and educational programmes for their children as well as for those who are interested in acquiring an education, and sewing and embroidery classes for women employees. They should be deeply involved in bringing about and maintaining industrial harmony and peace, and battle with the employers and the state, if necessary, at the bargaining table, on picket lines and in seminars and at conferences to ensure that labour is not exploited, that employers do not tyrannize over, or victimize, their employers, and resort to unfair lay-offs or dismissals because the latter have participated in trade union activity.

Trade unions should always abide by the decisions of tripartite bodies and make a major contribution to the maintenance of industrial peace, to better industrial relations and to hither productivity by a fuller utilisation of the procedures and machinery provided by various laws and codes.

Finally, trade unions should be pluralist in character and pragmatic in method; if they are not they are not, likely to survive because of the exacting demands made upon them by a swiftly changing environment. They should, therefore, encourage their members to save; to participate effectively in family planning programmes and in the economic and political life of the country; to take a decisive role in the formulation of development plans, and act as pace-setters for the community; to give up drinking and gambling. Trade unions should extend their activities and cover not only their members but also the families of their members; for a happy family makes a better worker, and a better worker contributes substantially to an increase in the gross national product.

Conclusion

It is evident from the perceptions of workers that they were comfortable socially and psychologically in consultation and information sharing with the management representatives in this scheme than in the schemes of workers participation in management as workers could interact in their own style and level. The workers feel at home in consultation and information sharing as the meetings took place in their platform. Moreover, management representatives also expressed that they were also comfortable. Thus, physical, social and psychological environment helped for the success of the scheme.

ANNEXURES

ANNEXURES - 1

Scheme of management particiaption in trade unions

Trade Unions in India have been facing problems like outside leadership, multiple unions, union rivalry, and absence of sound management and information network. Trade union leaders make the workers oppose crucial decision and resist activities of the management by providing misleading information to workers. It is felt that the proper functioning and management of unions is vested not only with union leaders but also with the management concerned. In this connection, the participation of management representatives in trade unions to provide right information and knowledge to understand each other's viewpoint, with an open mind and thereby avoid all misunderstandings. Thus, the representatives of management may provide effective plans, offer valuable suggestions, advise the organisation for the common good of both the parties.

Nature and Extent of Participation: Participation of representatives of management in trade unions may be particularly limited to advisory role and to provide correct date and information to trade union members. In other words, the role of representatives of management, while participating in trade union meetings, is advisory and monitoring information, date, ideas and opinions.

Prerequisites for Participation: The primary prerequisites for the perfect functioning of management participation in trade unions is the existence of well organised and recognised unions with sound policies. Both the parties should furnish reliable information and should have implicit faith in the information supplied by the other. The form and coverage of items for discussions and participation should be specified in advance. Participation of management and considering of suggestions and advice by unions should be in good faith and spirit. The number of union should be limited, preferably to one or two, Management should delegate authority to its representatives (who participate in unions) to provide official data and information of common interest and to advise and suggest trade union leaders and members on its behalf. Comprehensive programmes for education and training for both the parties should be formulated. An effective two-way communication system is also essential for the scheme. Finally, follow-up action should be ensured.

Parties to Participation: Unions at industry level, may invite chief of the organisations or his nominee, chief of the personnel department and other representatives from line and personnel areas. to participate in annual general body-convention meetings and working committee meetings. The unions at the department/divisional level may invite divisional/department manager and personnel manager to participate in divisional/departmental meetings. The unions at plant level/shop level/branch level may also invite management's representatives which include, representatives from line and personnel departments to participate in annual general body/ convention and working committee with the agenda of the meeting in advance.

Contribution to Trade Union Functioning: This type of management participation in federations, unions at industry level and at plant/shop/branch level, enables the management know employees viewpoints, their ideas and opinions about the problems. This common platform makes these two parties think and analyse the problem from others' viewpoints in right perspective and make them realise that they are under a common roof and striving to achieve a common end.

Participation of management's representatives in the trade union meetings, particularly at the time of industrial disputes, helps both the parties to exchange correct data, their views on contradictory interest and to have discussions in solving the problems. This enables the parties to have correct data and information and to minimise the lacuna between the view points of both the parties and to avert the various forms of industrial conflicts in resolving crises.

ANNEXURE – 2

UNFAIR LABOUR PRACTICES

The term 'Unfair Labour Practice' has not been defined so far. However, a few observations of the leading law authorities may be cited here which may indicate the scope of 'unfair labour practice.'

"Any practice which violates the Directive Principles contained in Art. 43 of the Constitution of India and other relevant Articles declaring decent wages and living conditions for workmen and which if allowed to become normal would tend to lead to industrial strike, should be condemned as 'unfair labour practice.' Hence, condition of unemployment which is designed to invest the employer with arbitrary power to keep the workman at his mercy as regards his chance of betterment of his living conditions would amount to *unfair labour practices.*" (L.L.J.II, 1961,204).

"Any systematic attempt by the employer to use his powers of management to disrupt the trade union of his employee will be unfair labour practice is a question of fact to be decided by a Labour Tribunal upon the circumstances of each case. Unjust dismissal, unmerited promotions, partiality towards one set of workers regardless of merit, etc., are illustrations of unfair labour practices. If an employer deliberately uses his power of promoting employees in a manner calculated to sow discord among his workmen, or to undermine the strength of their union, he is guilty of unfair labour practice." (1961-ILIJ, 686).

The Indian Trade Unions (Amendment) Act, 1947, though passed by Parliament was never brought into force, specifies certain actions as 'unfair practices' on the part of recognised trade unions and certain other actions as unfair practices on the part of the employers. The sole purpose of this Act was to safeguard the interests of the trade union movement and as such the term' unfair practices, in this Act, was suggestive of only general standards and not specific requirements." These standards were laid down for purposes of the Trade Union Act, and. therefore, cannot straightaway by used for purposes of industrial disputes.

The Indian Trade Union (Amendment) Act, 1947, did not define the term "unfair labour practices" but Sections 28J and 28K of the Act enumerated certain actions as unfair practices by recognised trade unions as well as by employers. These relevant sections are:

Unfair Practices by Recognised Trade Unions

The following shall be deemed to be unfair practices on the part of a recognised Trade Union, namely: (a) for a majority of the members of the trade union to take part in an irregular strike; (b) for the executive of the trade union to advise or to actively support or to instigate an irregular strike; and (c) for an officer of the trade union to submit any return required under this Act containing false statements"- Section 28J.

Unfair Practices by Employers

The following shall be deemed to be unfair practices on the part of an employer, namely: (a) to interfere with, restrain, or coerce his workmen in the exercise of their rights to organise, from, join or assist a trade union to engage in concerted activities for the purpose of mutual aid or protection; (b) to interfere with the formation or administration of any trade union or to contribute financial or other support to it; (c) to discharge, or otherwise discriminate against any officer of a recognised trade union because of his being such officer; and (d) to discharge or otherwise discriminate against any workman because he has made any allegation or given evidence in an enquiry or proceeding relating to any matter regarding the employment of workmen" – Section 28K.

The Code of discipline, drawn up by the 15th Session of the Indian Labour Conference, 1958, throws a good deal of light on this subject. Though not called as such, the Code has mentioned a few unfair labour practices by both employers and employees, which are as follows:

By Employers: (a) interference with the right of employees to enroll or continue as union members; (b) discrimination, restraint or coercion against any employee because of recognised activity of trade unions; and (c) victimisation of any employee and abuse of authority in any form.

By Unions: (a) negligence of duty; (b) careless operation; (c) damage to property; (d) interference with or disturbance to normal work; (e) insubordination.

Other provisions of the Code of Discipline could be also serve as a guideline to decide observance or non-observance of which of them could be termed as unfair labour practices.

What is fair on unfair in the industrial relations sphere would depend upon the circumstances of each case. What may look as fair to one, may seem unfair to others. What is fair today may be unfair tomorrow, depending on situation existing when and why an act is committed. Further, unfair labour practice is essentially a matter of attitude of one party towards the other and attitude cannot be changed by law. The subject must be left to the good sense of the parties concerned.

However, the following is a typical, though by no means exhaustive, list of what would constitute unfair labour practices by employer as well as by unions:

By Employers

1. To interfere with, restrain or coerce employees in their right to engage in unionism and collective bargaining. This would include such practices as:
   (a) Threatening employees with discharge or dismissal if they joined a union;
   (b) Threatening a lock-out or closure if union organisation with a view to undermining the efforts at organisation;
   (c) Granting wage increases at crucial periods of union organisation with a view to undermining the efforts at organisation;
   (d) Putting pressure on individual employees through inducements or indirect hints of displeasure.
2. To dominate, interfere with or contribute support to any union. Unfair labour practices of this type would include:
   (a) An employer taking an active interest in organising a union of his employees; and
   (b) An employer showing partiality or granting favours to one of the several unions attempting to organise or to its members.
3. To encourage or discourage membership in any union by discriminating against any employee in regard to hiring, or discharging any conditions of employment. These include:
   (a) discharging or punishing an employee because he took part in a lawful strike;
   (b) changing seniority rating because of union activities;
   (c) refusing to promote employees to higher posts on account of their union activities;
   (d) giving unmerited promotions to certain employees, with a view to sow discord amongst the other employees or to undermine the strength of their union; and
   (e) discharging office-bearers or active union members on account of their union activities.
4. To discharge or discriminate against any employee for filing charges or testifying against an employer in an unfair practice case and to refuse to bargain collectively with a union representing a majority of the employees. Such a refusal would include:
   (a) The making of a wage increase by an employer without consulting the representative union of the employees where they have chosen such a representative;
   (b) Making a wage increase larger than that discussed with the union representative; and
   (c) Refusing to deal with the union representative because the workers are on strike;
5. To coerce employees through administrative measures with a view to secure their agreements to voluntary retirements.
6. To refuse to bargain collectively in good faith with the union certified as a collective bargaining agent.

By Recognised Union

For members of the union to:

1) Take part in an irregular i.e. illegal or irregularly called strike;

2) For the executive of the union to advise or actively support or to instigate an irregular strike;
3) *For an* officer of the union to submit false returns;
4) To restrain or coerce workers in the exercise of the right to self-organisation or to join unions or to refrain from such organisation for joining;
5) For a union or its members (a) to picket in such large numbers that non-striking workers are physically debarred from entering the factory; (b) to indulge in coercive activities of force or violence in connection with the strike; and (c) to hold out threats of any kind against non-striking workers;
6) To refuse to bargain collectively in good faith with the employer;
7) To indulge in certain types of prohibited secondary boycotts, sympathetic strikes and jurisdictional strikes;
8) To stage demonstration at the residence of the employers or the managerial staff members.
9) To stage, encourage or instigate such forms of coercive actions as willful "go slow" or squatting on the work premises after working hours or "gherao" of any managerial staff.

To this list may also be added the following:

(a) By Employers

I. To engage temporary workmen for work which is really not temporary, but of permanent nature:
II. To exploit unemployment situation by engaging cheap labour in form of casual workers and paying them less wages than temporary or permanent workmen, during similar work.

(b) Worker and their Unions

I. To go slow or work to rule tactics:
II. Participation in political parties, bandhs, gheraos, etc. and to abstain from work on issues of quite unrelated to industrial matters;
III. Not abiding by the agreements between the majority union and the employer on the part on minority unions;
IV. Engaging in trade union activities during working hours; without permission from the employer.
V. Personal vilification of officers.

General Unfair Labour Practices

The Maharashtra Government Committee on Unfair Labour Practices (July 1969) later included in the Maharashtra Act No. 1 of 1972- Schedule IV which has specified the following practices under "unfair labour practices".

1) To discharge or dismiss employees: (a) by way of victimisation; (b) not in good faith but in the colourable exercise of the employers' rights' (c) by falsely implicating an employee in a criminal case on false evidence; (d) for patently false reasons; (e) on untrue or trumped up allegations of absence without leave; (f) in utter disregard of the principles of natural justice in the conduct of domestic enquiry or with undue haste; (g) for misconduct of minor or technical character, without having any regard to the nature of the particular misconduct or the past record of the service of the employees, so as to amount of shockingly disproportionate punishment , and (h) to avoid payment of statutory dues.
2) To abolish the work being done by the employees and to give such work to contractors as a measure of breaking a strike.
3) To transfer an employee mala fide from one place to another under the guise of following management policy.
4) To insist upon individual employees, who were on legal strike, to sign a good conduct bond as a pre-condition to allowing them to resume work.
5) To show favouritism or partiality to one set of workers, regardless of merit.

6) To employ employees an 'badlies', casuals or temporaries and to continue them as such for years, with the object of depriving them of the status and privileges of permanent workers.
7) To encroach upon contractual, statutory or legal, rights of the other party, by either party.
8) To discharge or discriminate against any employee for filing charges or testifying against any employer in any enquiry or proceeding relating to any industrial dispute.
9) To recruit employees during a strike which is not an illegal strike.
10) Failure to implement award, settlement or agreement.
11) To indulge in acts of force or violence.

Readings

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Chapter 9
Collective Bargaining

In the era of laissez faire, employees enjoyed unfettered right to hire and fire. They had vastly superior bargaining power and were in a position to dominate over workmen in every conceivable way. They naturally preferred to settle terms and conditions of employment of workmen and abhorred statutory regulation thereof unless, of course, it was to their advantage.

The system of collective bargaining as a method of settlement of industrial dispute has been adopted in industrially advanced countries like the United States of America and United Kingdom and has also recently been adopted in some Asian and African countries. India which had adopted compulsory adjudication system has also accepted in principle the system of collective bargaining but has hardly taken any step, legislative or otherwise, to apply it in practice.

Introduction

Employees and employer, with differing interests must work together, if their respective goals are to be attained. Yet, the very fact of differing interests creates an atmosphere of opposing forces, which inhibits desirable cooperative efforts. In organised industrial life, ways must be sought to minimise tensions, and promote bargaining. Here collective bargaining is the cornerstone of congenial industrial relations and of constructive peace. It helps to bring the unreserved cooperation between employees and employer by minimizing the lacuna between the varying interests of union and management.

Collective bargaining is opposite of individual bargaining which takes place between organised groups of employees with either a single employer or multiple employers. Collective bargaining is a technique used for compromising the conflicting interests of employees and employer. It is called collective because the employees as a group select representatives to meet and consult with management. Collective bargaining helps in ironing out many differences between workers and management ironing.

Definition of Collective Bargaining

The phrase of 'Collective Bargaining' is coined by Sydney and Beatrice Webb. According to them collective bargaining is a method by which trade union protected and improved the conditions of their members working lives.

According to Encyclopedia of Social Sciences, "collective bargaining is a process of discussion and negotiation between two parties, one or both of whom is a group of persons acting in concert. The resulting bargain is an understanding as to the terms and conditions under which a continuing service is to be performed.... More specifically, collective bargaining is a procedure by which employers and a group of employees agree upon the conditions of work.

The ILO has defined collective bargaining as 'Negotiations about working conditions and terms of employment *between an employer and a group of employees or one or more employees' organisations* with a view to reaching an agreement wherein the terms serve as a code of defining the rights and obligations of each party in their employment, relations with one another, fix a large number of detailed conditions of employment; and, during its validity, none of the matters it deals with can in normal circumstances be given as a ground for a dispute concerning an individual worker."

Characteristics of Collective Bargaining

The main characteristics of collective bargaining are:

(i) *It is a group action as opposed to individual action and is initiated through the representatives of workers.* On the management side are its delegates at the bargaining table; on the side of the workers is their trade union, which may represent the local plant. The city membership or nation-wide membership.

(ii) *It is flexible and mobile, and not fixed or static.* It has fluidity and scope for compromise, for a mutual give-and-take before the final agreement is reached or the final settlement is arrived at. Bakke and Kerr observe: "Essentially, a successful collective bargaining is an exercise in graceful retreat- retreat without seeming to retreat. The parties normally ask for more or offer less than they ultimately accept or give. The "take-it-or-leave it" proposition is not viewed as being within the rules of the game. One of the most damaging criticisms is that a party is adamant in holding to its original position. Before retreating with as much elegance as circumstances permit, each party seeks to withdraw as little as possible. This involves ascertaining the maximum concession of the opposing negotiator without disclosing one's own ultimate concession. In this sense, all negotiations are exploratory until the agreement is consummated."

(iii) *It is a two-party process.* It is mutual give-and-take-rather than a take-it-or-leave-it method of arriving at the settlement of a dispute. Both parties are involved in it. In this connection, Clark Kerr observes: "Collective bargaining can work only with the acceptance by labour and management of their appropriate responsibilities. It can succeed only when both labour and management want it to succeed. It can flourish only in an atmosphere, which is free from animosity and reprisal. There must be a mutual eagerness to develop the collective bargaining procedure and there must be attitudes which will result in harmony and progress."

(iv) *It is a continuous process,* which provides a mechanism for continuing and organised relationships between management and trade unions. "The heart of collective bargaining is the process for a continuing joint consideration and adjustment of plant problems." It does not end with negotiation, but as Glen Gardiner puts it, "it begins and ends with the writing of a contract. Actually, it is only the beginning of collective bargaining. It goes on 365 days of the year… The most important part of collective bargaining…. Is the bargaining that goes on from day to day under the rules established by labour agreements."

(v) *It is dynamic and not static* because it is a relatively new concept, and is growing, expanding, and changing. In the part, it used to be emotional, turbulent and sentimental; but now it is scientific, factual and systematic. Its coverage and style have changed. In this connection. J..M.Clark has this to say: "Collective bargaining has become, with surprising, swiftness, one of the greatest forces in our society. In anything like its present scale and power, it is a new thing. It is a process which transforms pleading into negotiation, … which permits which transforms pleading into negotiation, …. Which permits employees' dignity as they participate in the formulation of their terms and conditions of employment, … which embraces the democratic ideal and applies it correctly and effectively at the place of work.

(vi) *It is industrial democracy at work.* Industrial democracy is the government of labour with the consent of the governed – the workers. The principle of arbitrary unilateralism has given way to that of self-government in industry. Collective bargaining is not a mere signing of an agreement granting seniority, vacations and wage increases. It is not a mere sitting around a table, discussing grievances. Basically, it is democratic: it is a joint formulation of company policy on all matters which directly affect the workers in a plant. It is self-government in action. It is the projection of a management policy which gives the workers the right to be heard. It is the establishment of factory law based on common interest.

(vii) *Collective bargaining is not a competitive process but it is* essentially a complementary process, i.e., each party needs something that the other party has, namely, labour can make a greater productive effort and management has the capacity to pay for that effort and to organise and guide it for achieving its objectives. The behavioural scientists have made a distinction between "distributive bargaining" and "integrative bargaining." The former is the process of dividing the 'cake' which represents the whole which as has been produced by the joint efforts of management and labour. in this process, if one party wins something, the other party, to continue the metaphor of the cake, has a relatively smaller size of it. So, it is a "win-lose" relationship. In other words *distributive bargaining* deals with issues or an issue in which the two or more parties have conflicting or adversary interests. '*Integrative bargaining*' is a process where both the parties can win, each contributing something for the benefits of the other party. Such a process develops common objectives, a better understanding of each other's needs and capabilities, a better respect for each other, and a greater involvement of commitment to the well-being and growth of the enterprise as a whole.

(viii)"It is an art, an advanced form of human relations. To substantiate this, one need only witness the bluffing, the oratory, dramatics, and coyness mixed in an inexplicable fashion which may characterise a bargaining session."

Necessity and Importance of Collective Bargaining

Evidence in the West has it that the evolution of mature labour relations characterised by a greater degree of order and stability and sound wage structure is almost invariable associated with some measurable aspects of collective bargaining.

On the basis of the experience of the advanced countries, where collective bargaining is said to have made considerable advances, to identify some indicators of mature collective bargaining practices.

The characteristics of collective bargaining as observed from the analysis of the definitions of collective bargaining are presented in the Exhibit 9.1.

EXHIBIT 9.1

Characteristics of Collective Bargaining

(i) It is a group or collective action as opposed to individual actions and is initiated through the representatives of employees.

(ii) It is flexible and not static.

(iii) It is a two way process. It is mutual give and take rather than just take it method of arriving at a solution to a dispute. It is successful only when two parties participate in collective bargaining seriously and with an approach of give and take, i.e., workers should accept to enhance their contribution and / or offering some concessions to management and management should accept to increase wage, benefits etc.

(iv) It is a continuous process, which proves a mechanism for continuous negotiations and discussions for a continuous sound relationship between labour and management. It facilitates to arrive at an amicable solution to the problems at all stages including the stage of strike and other forms of agitations.

(v) It is dynamic but not static as the concept is growing, expanding and changing in view of attitudes, opinions and perceptions of both the parties.

(vi) It ensures democracy at work place.

(vii) It is not a competitive process but essentially a complementary process.

(viii)It is an art as it is an advanced form of understanding and maintaining human relations.

(ix) It is a voluntary process. Both workers and management voluntarily participate in the negotiations, discuss and arrive at a solution.

(x) The unique feature of Collective Bargaining is that usually the parties concerned start negotiations with entirely divergent interests and reach a middle point acceptable to both. For example, the union may start negotiations with a demand to increase wages at par with that of production and management rejecting any raise. At the end of the process both the parties may agree for a raise in wages to a certain percentage of total increase in production.

Importance of Collective Bargaining

Collective bargaining plays a vital role in setting and preventing industrial disputes. Specifically its importance is evident from the following:

(i) Increase the economic strength of unions and management;

(ii) Establish uniform conditions of employment with a view to avoiding industrial disputes and maintaining stable peace in the industry;

(iii) Secure a prompt and fair redressal of grievances;

(iv) Avoid interruptions in work which follow strikes, go-slow tactics and similar coercive activities;

(v) Lay down fair rates of wages and norms of working conditions;

(vi) Achieve an efficient operation of the plant; and

(vii) Promote the stability and prosperity of the industry;

(viii)It provides a method for the regulation of the conditions of employment of those who are directly concerned about them;

(ix) It provides a method for the problem of sickness in the industry; and ensure old age pension benefits and other fringe benefits;

(x) It creates new and varied procedures – for the solution of the problems as and when they arise – problems which vex industrial relations; and its form can be adjusted to meet new situations. Since basic standards are laid down, the employee is assured that he will be required to work under the stipulated audit;

(xi) It provides a flexible means for the adjustment of wage and employment conditions to economic and technological changes in the industry, as a result of which the chances for conflicts are reduced;

(xii) As a vehicle of industrial peace, collective bargaining has no equal. It is the most important and significant aspect of labour-management relations, and extends the democratic principle form the political to the industrial field;

(xiii) It builds up a system of industrial jurisprudence by introducing civil rights in industry. In other words, it ensures that management is conducted by rules rather than by arbitrary decisions;

Principle of Collective Bargaining

Arnold F. Campo Suggests the following principles for efficient functioning of collective bargaining.

For Union and Management:

(i) Collective bargaining should be made an educational as well as bargaining process. It should offer to trade union leaders an opportunity to present to the management the wants, the desires, the grievances and the attitudes of its employees and make it possible for the management to explain to union leaders and, through them, to its employees, the economic problems which confront it.

(ii) The management and the trade union must look upon collective bargaining as a means of finding the best possible solution, and not as a means of acquiring as much as one can while conceding the minimum. There must be an honest attempt at solving a problem rather than at a compromise.

(iii) Both the parties to a dispute should command the respect of each other and should have enough bargaining power to enforce the terms of the agreement that may be arrived at.

(iv) There must be mutual confidence and good faith, and a desire to make collective bargaining effective in practice.

(v) There should be an honest, able and responsible leadership, for only this kind of leadership will make collective bargaining effective and meaningful.

(vi) The two parties should meticulously observe and abide by all the national and Stage laws which are applicable to collective bargaining.

(vii) Both the parties must bear in mind the fact that collective bargaining is, in a sense, a form of price fixation and that any successful collective bargaining depends, in the last analyses on whether the management and the trade union do a good job of ensuring that the price of labour is properly adjusted to other prices.

For the Management:

(i) The Management must develop and consistently follow a realistic labour policy, which should be accepted and carried out by all its representatives.

(ii) In order to ensure that the trade union feels that its position in the organisation or factory is secure, the management must grant recognition to it without any reservations and accept it as a constructive force in the organisation and the industry.

(iii) The management not assume that employee goodwill always be there for it. It should periodically examine the rules and regulations by which its labour force is governed. In this, way it will be able to determine the attitudes of its employees, promote their comfort, and gain their goodwill and co-operation.

(iv) The management should act upon the assumption that, in order to make the trade union a responsible and conservative body, it is essential that it should be fairly treated. It should, moreover, establish such a satisfactory relationship with the trade union and its representatives that the latter will not lightly do anything that it capable of jeopardizing that relationship.

(v) The management should deal with only one trade union in the organisation. If two trade union seek recognition, no negotiations should be undertaken with till one of them establishes the fact of having a majority of the membership of the employees in its organisation.

(vi) The management should deal with only one trade union in the organisation. If two trade union seek recognition, no negotiations should be undertaken with till one of them establishes the fact of having a majority of the membership of the employees in its organisation.

(vii) While weighing the economic consequences of collective bargaining, the management should place greater emphasis on social considerations.

For the Trade Union:

(i) In view of the rights granted to organised labor, it is essential that trade unions should eliminate racketeering and other undemocratic practice within their own organisation.

(ii) Trade union leaders should not imagine that only function is to secure higher wages for their members, and shorter hours of work and better working conditions for them. They and their members have an obligation to assist the management in the elimination of waste and in improving the quality and quantity of production.

(iii) Trade union leaders should appreciate the economic implications of collective bargaining, for their demands are generally met from the income and resources of the organisation in which their members are employed.

(iv) Trade union leaders should assist in the removal of such restrictive rules and regulations as are likely to increase costs and prices, reduce the amount that can be paid out as wages, and tend to make for low employment and the long-run lower standard of living of all sections of society.

(v) Trade unions should resort to strikes only when all other methods of the settlement of a dispute have failed to bring about satisfactory results.

Forms of Collective Bargaining

At the outset it should be stated that there is a great deal of variation in the collective bargaining practices ranging from an informal oral agreement to a very formal and detailed agreement.

Collective Bargaining takes the following forms:

(i) It may be single plant bargaining, that is, bargaining may be between a single trade union. This type of collective bargaining prevails in the United States and India.

(ii) It may be a multiple plant bargaining that is, bargaining may be between a single factory or establishment having several plants and the workers employed in all these plants.

(iii) It may be a multiple employer bargaining, that is, bargaining between all the trade unions of workers in the same industry through their federal organisation, and the employer's federation. This is possible both at the local and regional levels and is generally resorted to in the textile industry.

In India, collective bargaining has been classified under four categories. These are:

(i) Agreements which are negotiated by officers during the course of conciliation proceedings and are called settlements under the Industrial Disputes Act.

(ii) Agreements which are concluded by the parties themselves without reference to a Board of Conciliation and are singed by them. Copies of such agreements, however, are sent to appropriate sent to appropriate governments and to conciliation officers.

(iii) Agreements which are negotiated by the parties on a voluntary basis when disputes are sub judice and which are later submitted to industrial tribunals, labour courts or labour arbitrators for incorporation into the documents as parts of awards. These are known as consent awards.

(iv) Agreements which are drawn up after direct negotiation between labour and management and are purely voluntary in character. These depend for their enforcement on moral force and on the goodwill and co-operation of the parties.

FUNCTIONS OF COLLECTIVE BARGAINING

Collective bargaining plays an important role in preventing industrial disputes, settling industrial disputes and maintaining industrial peace by performing the following functions:

(i) Increase the economic strength of employees and management.

(ii) Establish uniform conditions of employment.

(iii) Secure a prompt and fair redressal of grievances.

(iv) Lay down fair rates of wages and other norms of working conditions.

(v) Achieve an efficient functioning of the organisation.

(vi) Promote the stability and prosperity of the company.

(vii) It provides a method of the regulation of the conditions of employment of those who are directly concerned about them.

(viii)It provides a solution to the problem of sickness in industry, and ensures old age pension benefits and other fringe benefits.

(ix) It creates new and varied procedures for the solution of the problems as and when they arise- problems which vex industrial relations; and its form can be adjusted to meet new situations. Since basic standards are laid down, the employees is assured that he will be required to work under the stipulated conditions incorporated in the agreement; and the employer is protected from unfair competition by those who are engaged in a similar industry.

(x) It provides a flexible means for the adjustment of wages and employment conditions to economic and technological changes in the industry, as a result of which the changes for conflicts are reduced.

(xi) As a vehicle of industrial peace, collective bargaining is the most important and significant aspect of labour-management relations, and extends the democratic principle from the political to the industrial field.

(xii) It builds up a system of industrial jurisprudence by introducing civil rights in industry. In other words, it ensures that management is conducted by rules rather than by arbitrary decisions.

Prof. Dunlop is of the opinion that collective bargaining is:

(i) A system which establishes, revises and administers many of the rules which govern the workers' place of work;

(ii) A procedure which determines the quantum of compensation which employees should receive and which influences the distribution of economic ills; and

(iii) A method of settling disputes during the pendency of an agreement of an agreement and of determining, after its expiry, whether a dispute should be re-opened and whether a strike or a lockout should be resorted to or not.

COLLECTIVE BARGAINING PROCESS

There are two stages in collective bargaining, viz., (i) the negotiation stage and (ii) the stage of contract administration.

(i) **Negotiation**

(a) ***Identification of Problem:*** The nature of the problem influences whole process. Whether the problem is very important that is to be discussed immediately or it can be postponed for some other convenient time, whether the problem is minor that it can be solved with the other party's acceptance on its presentation and does not need to involve long process of collective bargaining process etc. It also influences selection of representatives, their size, period of negotiations and period of agreement that is reached ultimately. As such it is important for both the parties to be clear about the problem before entering into the negotiations.

(b) ***Preparing for Negotiations:*** When it becomes necessary to solve the problem through collective bargaining process, both the parties prepare themselves for negotiations with patience, composure and who can present their view effectively. After selection they should be fed with complete problem and its pros and cons. His powers and authority during negotiations also should be clearly spelt out. Other preparations include fixing up time for negotiations, period of negotiations etc. But once the parties enter into negotiations the period of negotiations may very depending upon circumstance.

(c) ***Negotiations of Agreement:*** Usually there will be a chief negotiator who is from management side. He directs and presides the process. The chief negotiator presents the problem, its intensity and nature and the views of both the parties. Then he allows the representatives of both the parties to present their views. During negotiations, the representatives should be attentive as to find out what the other party is arguing for. The representatives tend to think about what counter arguments they can present and how to say ' no' effectively, while the other party is presenting should be attentive to the other parties' problems. By understanding their problems and weighing them, sometimes a better solution may be reached, which is more acceptable to both the parties. So, it is important that representatives should reach negotiating table with positive attitudes. In Arnold F. Canpo's words – "Both parties should strive to maintain an objective attitude. They should think rather than feel their way through the problem under consideration. They should think rather than feel their way through the problem under consideration." With this objective mind both the parties should try to reach an amicable solution. When a solution is reached at, it is put on the paper taking concerned legislations into consideration. Both the parties concerned sign the agreement which, in turn, becomes a binding contract for both the parties.

If, in spite of all these efforts, no amicable solution could be reached, both the parties resorts to arbitration.

Arnold Campo suggests that the following procedure should be adopted in negotiation:

For Union and Management

(a) Be friendly in negotiation. Introduce everybody. Relieve the existing tension.

(b) Be willing to listen. There would be time enough for you to worry about things and say "No" after you have heard all the facts.

(c) Give everyone an opportunity to state his position and point of view. In this way, you will uncover the person who is really insistent about a particular problem or grievance, and know how to deal with him.

(d) Know something about the personal history of the other party's representatives.

(e) Always bear in mind the fact you have to do what is right and fair.

(f) Both parties should strive to maintain an objective approach to a problem or a grievance. They should think rather than feel their way through a problem.

(g) Don't attempt to guide the discussion along a straight line which goes straight to the solution of the problem. Let it wander at times; don't hurry it.

(h) Don't let the negotiations reach the stage of stalemate. Help of define the problem and suggest a solution. Ultimatums are out of place at the negotiation table.

(i) If facts disclose that there is a need for doing more than just solving the immediate problem, go far as justified in the circumstances.

(j) Define each issue clearly and unambiguously, and discuss it in the light of all the available facts.

(k) Avoid the insertion of specific regulations or details in the contrast to ensure greater flexibility.

(l) Search for the correct solution at all times.

(m) Keep the membership of the conference as small as possible. Small groups facilitate successful negotiations.

(n) Avoid sharp practice.

(o) The length of session should be determined by the fatigue, physical or mental; it generates among the members at the conference table.

(p) Have a committee of employees present during the negotiations for this would be highly advantageous and would be very practical, particularly, if the bargaining unit is a single establishment.

(q) The term which are agreed upon should be put down in writing and the parties should sign the document without any mental reservations. The phrasing of the contact should be precise and realistic but not legalistic.

(r) Arbitration should not be resorted to except in cases in which negotiations fai[illegible] rly or the parties are unable to arrive at any agreement.

(s) Both the parties should, at all times, respect the rights of the publ[illegible].

For Management.

(a) The management must, at the outset, make sure that the labour leaders, it is going to negotiate with, are really the representatives of the workers.

(b) Don't use lawyers as negotiators unless they have intimate knowledge of industrial relations.

(c) Don't limit contracts with the union to controversial subjects, but consider also such matters as are of common interest to both.

(ii) Contract Administration

Implementation of the contract is as important as making contract. Management usually distributes the printed contract, its terms and conditions throughout organisations. The union takes steps to see that all the workers understand the contract and implement it. From time to time depending upon changing circumstances, both the parties can make mutually acceptable amendments.

Principles of Contract Administration

The principles of contract administration help the personnel managers in administering the collective bargaining contracts. Campo proposes the principles of contract administration. They are.

For Union and Management

(a) Both should make a genuine effort to establish and strengthen the machinery for collective bargaining and make it function effectively. In other words, both the parties should have tolerant attitude towards each other, and have a spirit of accommodation and goodwill. They should be willing to cooperate with each other.

(b) A proper procedure should be adopted for the redressal of grievances. It is a good practice to educate everyone on the manner which the grievance redressal procedure should be handled; on how grievances should be dealt with promptly; on how grievances should be put down in writing; on how the factors on which both the parties are in agreement should be properly indicated; on how the meetings of the grievances committee should held during company time; to ensure that supervisors and foremen are not short-circuited, for that would destroy morale, and that the grievances procedure should not be cluttered with matters which are not grievances in any sense.

(c) When a conference over the redressal of a grievance reaches an impasse, the grievance should be referred to arbitration. When this is done, arbitrators should be carefully chosen.

(d) Both parties should see to it that every commitment made by either scrupulously honoured. In this connection, it would be better if a rigid follow-up guarantee is used.

For the Management:

(a) The management should be available for conferences with workers' representatives so that it may acquire first-hand knowledge of the changing attitudes and problems of its employees.

(b) The management should not short-circuit union representatives or undermine the authority of the trade union. Any proposed policies and/or programmes should first be discussed with the representatives of the employees before any affect is given to them.

(c) The management should always give credit to the trade union for anything worthwhile achieved by it.

(d) The management should avoid paternalism and strive to treat the trade union representatives and its employees as equals.

(e) The management must see to it that foremen and supervisors are thoroughly conversant with the terms of any agreement it may have reached with the employees and/or their representatives so that they may give effect to them and see to it that they are properly implemented.

(f) Many restrictive practices, and what appears to be unreasonable demands on the part of workers and/or their representatives, will disappear if the management strives to give regular employment to its workers.

(g) The management should see to it that its top executives, and all those who may have anything to do with their implementation, understand the terms of any agreement that it may have arrived at with its employees and/or their representatives.

For the Trade Union:

(a) The trade union should see to it that its members understand the terms of the agreement it has reached with the management.

(b) The trade union should assume responsibility and see to it that its members meticulously observes the terms of the agreement.

(c) *Union representatives should make themselves available for a conference whenever they are required to* do so by the management.

Renewal of Agreement: The agreement can be made on a temporary basis. In such cases, before its expiry both parties consult each other and can terminate or renew the agreement depending upon the circumstances. The Union may always demand for the renewal of such agreements which benefit workers before their expir Management on the other hand, may reject this demand taking the financial position of the organisation consideration. As a result this may again lead to negotiations. As such, collective is not a temporary accommodation, but it is a continuous process.

Content of Collective Agreement

There is no standard specification of the scope of collective agreement. However, certain issues are often sought to be excluded from the agreement. But the scope has increased tremendously in recent times. Contract provisions may be divided into four categories, viz., union security, worker security, economic factors and management protection.

The Indian Institute of Personnel Management, Calcutta, suggests that the following should be included in a collective agreement:

(i) The purpose of the agreement, its scope and the definition of important terms;

(ii) The rights and responsibilities of the management and of the trade union;

(iii) Wages, bonus, production norms, leave, retiring benefits, and other benefits and terms and conditions of service;

(iv) Grievance redressal procedure;

(v) Methods of and machinery for the settlement of possible future disputes; and

(vi) A termination clause.

Contents of collective agreement as suggested by Reed Richardson are presented in Exhibit 20.2.

EXHIBIT 9.2

Mandatory Bargaining Items

Wages	Severance pay
Hours of work	Non-discriminatory hiring of hall plant rules
Discharge	Safety
Arbitration	Prohibition against supervisory doing unit work
Holidays, paid	Super-seniority of union
Vacations, paid	Stewards
Duration of Agreement	Plant close down and relocation
Grievance Procedure	Job posting procedures
Reinstatement of economic strikes	Employee physical examinat[illegible]
Change of payment from	Agreements for negotiatior
Hourly base to salary base	Change in insura[illegible]e benefits
Union security and check-off	Profit sharing plant
Work rules	Over-time pay
Merit wage increase	Agency shop
Work Schedule	Sick leave
Lunch periods	Employer's insistence on
Rest periods	Clause giving arbitrator right to enforce award
Pension Plan	Company house
Retirement age	Sub-contracting
Bonus payments	Discriminatory racial
[illegible]ices of meals provided by	Policies

Company
Group insurance (health, accident, life)
Promotions
Seniority
Transfer
Work assignments
No strike clause
Piece rates
Stock purchase plan
Workloads
Discount on company products
Shift differentials
Procedures for income-tax with-holding
Production ceiling imposed by union
Charge of employee status to independent contractors
Management strikes clause
Cancellation of seniority on relocation of plant
Contract clause providing for supervisor's keeping
Seniority in unit

- Factors Hindering the Functioning of Collective Bargaining

The efficient functioning of collective bargaining helps for the maintenance of industrial peace. But, the functioning of collective bargaining is often affected by certain factors. The factors those hinder the functioning of collective bargaining are:

(i) The failure of some employers to accept trade unions as a permanent feature of the national economy;

(ii) The separatist tendencies of the craft trade union;

(iii) The failure of both parties to devote enough time and energy to the preparations for collective bargaining:

(iv) The non-availability of factual information;

(v) Unfair practices;

(vi) The absence of a willingness on the part of either party to assume the responsibilities which are inherent in the bargaining process; and

(vii) The unequal strength of the parties. Both sides should be strong enough not to be shaken or intimidated or overawed by each other.

Collective Bargaining in India

Collective bargaining in India grew at par with the growth of Trade Unionism. Collective Bargaining arrangements for the first time were made at Ahmedabad Cotton Textile Industry. The main purpose of the arrangement was regulation of management and labour relationships. But there was no considerable growth until the second world war. Even this growth during the second world war was not the result of Management and unions' influence but due to Government's efforts. There was not much awareness of Collective Bargaining and its importance at that period.

Only after independence, there was considerable growth in Collective Bargaining. Trade Unions gained importance after independence. From management's side, there emerged a new class of managers, who saw the labour with sympathy and understanding. But Collective Bargaining process took place mainly at plant level and organisation level unlike Western countries where the agreements are reached at industry level. Another flow of collective bargaining process in India is that it is mostly used for basic monetary benefits. In recent years collective bargaining is gaining momentum.

Causes for the Limited Success of Collective Bargaining in India

Though, it is argued that collective bargaining has grown in India due to the statutory provisions, voluntary measures, Industrial Truce Resolution of 1962 and the amendments to the Industrial Disputes Act, 1947, its success is limited.

The causes for its limited success are:

(1) Problems with Unions: Collective Bargaining process mainly depends on the strength of Unions. But still there are not many strong unions in India. Indian unions are marked with multiplicity, inter and intra-union rivalry, weak financial position and non-recognition. Weak trade unions cannot initiate strong arguments during negotiations. There is usually no unanimous decision among workers to be presented at the negotiating table.

(2) *Problems from Government:* The Government has not been making any strong effects for the development of Collective Bargaining. The Government has imposed many restrictions regarding strikes and lockouts, which is an obstacle for the development of collective bargaining process.

(3) Legal Problems: Now adjudication is easily accessible. As such now collective bargaining process is losing its importance.

(4) Political Interference: Interference of political leaders in all aspects of union matters, has increased over the years. Almost all unions are associating themselves with some political party or the other. And there are many such unions. To protect their own unions, all political parties interfere into the matters, creating inter union rivalries.

(5) Attitude of Management: In India managements have negative attitude towards Unions. They do not appreciate their workers joining unions. As strong unions are a must for collective bargaining process this attitude of management hampers the process.

Recommendations of the National Commission of Labour for Successful Functioning of Collective Bargaining

National Commission of Labour in 1969 made the following recommendations after considering the problem.

(a) Government intervention in Industrial relations particularly in the settlement of industrial disputes, should be reduced gradually to the minimum possible extent. Compulsory adjudication of disputes should be used only as a last resort.

(b) Trade unions should be strengthened both organizationally and financially by amending the Trade Union Act of 1926 to make registration of unions compulsory, enhance the union membership fee, reduce the presence of outsiders in the union executive and among the office-bearers and increase the minimum number of members in respect of union applying for registration.

(c) Legal provision may be made either by a separate legislation or by amending an existing enactment for:

(1) Compulsory Recognition of trade unions and certification of unions as bargaining agents.

(2) Prohibition and penalisation of unfair labour practices.

(3) Bargaining in good faith by both employers and unions.

(4) Conferring legal validity and legitimacy on collective agreements.

Suggestions for the Effective Functioning of Collective Bargaining:

(i) There must be a change, in the attitude of employers and employees. They should realise that the collective bargaining approach does not imply litigation as it does under adjudication. It is an approach which indicates that the two parties are determined to resolve their differences on their respective claims in a peaceful manner relying only on their own strength and resources; they do not look to a third party for the solution of their problems.

(ii) Collective Bargaining is best conducted at plant level. The bargaining agents of both the parties should be determined to arrive at an agreed solution of their respective problems. The employers should be represented by the management and the workers by their trade union. Both should know which one is the recognised union, in case there is more than one in a plant; and this union, recognised in the proper manner should be the sole bargaining agent of all the workers in an organisation.

(iii) Employers and employees should enter upon negotiations on points of difference or on demands with a view to reaching an agreement. The trade union should not make or put forward unreasonable demands Any refusal to negotiate on the part of either side should be looked upon as an unfair practice. Rigid attitudes are out of place in a collective bargaining system.

(iv) Negotiations can be successful only when the parties rely on facts and figures to support their point of view. The trade union should be assisted by such specialists as economists, productivity experts and professionals, so that their case is properly presented to the representative of the management. In order to bring this to pass, the organisational set-up of a trade union will have to be changed; and the latter should adopt a constructive approach at the bargaining table rather than the present agitational or litigation oriented approach.

(v) To ensure that collective bargaining functions properly, unfair labour practices should be avoided and abandoned by both sides. The negotiations between the management and the recognised trade union will then be conducted in an atmosphere of goodwill, which will not be vitiated by malpractices. and neither side would take advantage of the other by resorting to unfair practices.

(vi) When negotiations result in an agreement , the terms of the contract should be put down in writing and embodied in a document. When no agreement is reached, the parties should agree to conciliation, mediation or arbitration. If no settlement is arrived at even then, the workers should be free to go on a strike, and the employers should be at liberty to declare a lock-out. To restrict this right is to inhibit and defeat the very process of collective bargaining.

(vii) Once an agreement is reached, it must be honoured and fairly implemented. No strike or lock-out should be permitted in respect of issues which have already been covered in the contract; and the trade union should to be allowed to raise fresh demands.

(viii)A provision for arbitration should be incorporated in the agreement, which should become operative when there is any disagreement on the interpretation of its terms and conditions. The disputes arising out of the agreement should be referred to an agreed third party with a view to arriving at a final and binding decision.

Indian Institute of Personnel Management offered the following suggestions:

(i) A truly representative, enlightened and strong trade union should come into being and should function on strictly constitutional lines;

(ii) There should be a progressive and strong management which is conscious of its obligations and responsibilities to the owners of the business, to the employees, the consumers and the country:

(iii) There should be unanimity between labour and management on the basic objectives of the organisation and of the workers and a mutual recognition of their rights and obligations;

(iv) When there are several units of the company, there should be a delegation of authority to the local management; and

(v) A fact-finding approach, and a willingness to use new tools – for example, industrial engineering should be adopted for the solution of industrial problems.

The National Commission on Labour offered the following recommendations.

1. In the absence of arrangements for statutory recognition of unions except in some States and provisions which require employers and workers to bargain in 'good faith', it is no surprise that reaching of collective agreements has not made mush headway in our country. Nonetheless, the record of collective agreements has not been an unsatisfactory as it is popularly believed. Its extension to a wider area is certainly desirable

2. There is a case for shift in emphasis and increasingly greater scope for and reliance on collective bargaining. Any sudden change replacing adjudication by a system of collective bargaining is neither called for nor is practicable. The process has to be gradual. A beginning has to be made in the move towards collective bargaining by declaring that it will acquire primacy in the procedure of settling industrial disputes.
3. Conditions have to be created to promote collective bargaining. The most important among them is statutory recognition of a representative union as the sole bargaining agent. The place strikes / lock-out should have in the overall scheme of industrial relations needs to be defined; collective bargaining cannot exist without the right to strike / lock-out.

Good relations between the employer and employees are essential for the success of Industry. In order to maintain good industrial relations, it is necessary that industrial disputes are settled quickly and amicably. One of the efficient means of resolving industrial disputes and deciding the employment conditions in collective bargaining.

Meaning of Collective Bargaining in Modern Concept

Collective bargaining is a process in which the representatives of the employer and of the employees meet and attempt to negotiate a contract governing the employer – employee union relationship. According to Jucious, "Collective bargaining refers to a process by which employers on the one hand and representatives of employees on the other, attempt to arrive at agreements covering the conditions under which employees will contribute and be compensated for their services."

Collective bargaining Involves discussion and negotiation between two groups as to the terms and conditions of employment. It is called "collective" because both the employer and the employee act as a group rather than as individuals. It is known as "bargaining" because the method of reaching an agreement involves proposals and counter proposals, offers and counter offers. Collective bargaining is a rational process in which appeals to fact and to logic, reconciles conflicting interests in the light of common interests of both parties. It is a bipartite and dynamic process.

According to Walton and McKersic, "a collective bargaining process generally consists of four types of activities – distributive bargaining, integrative bargaining, attitudinal structuring and intra-organisational bargaining."

i. ***Distributive Bargaining:*** It involves haggling over the distribution of surplus. Under it, the economic issues like wages, salaries and bonus are discussed. In distributive bargaining, one party's gain is another party's loss.
ii. ***Integrative Bargaining:*** This involves negotiation of an issue on which both parties may gain, or at least neither party loses. For example, representatives of employer and employees may bargain over a better training programme or a better job evaluation system.
iii. ***Attitudinal Structuring:*** This involves shaping and reshaping some attitudes like trust or distrust, friendliness or hostility between labour and management. When there is a backlog of bitterness between both the parties, attitudinal structuring is required to maintain smooth and harmonious industrial relations.
iv. ***Intra-Organisational Bargaining:*** This is a type of manoeuvring to achieve consensus with the workers and management. Even within the union there may be differences between different groups. For instance, skilled workers may feel that they are neglected or women workers may feel that their interests are not looked after properly. Within the management also there may be differences. Marketing manager may urge the union to stop strike and produce to protect the interest of customers. On the other hand, the finance manager may oppose increase in wages on the ground that it will spoil the company's financial position. Trade unions manoeuvre to achieve consensus among the conflicting groups.

Objectives of Collective Bargaining

The main objectives of collective bargaining are as follows:

i. To maintain cordial relations between the employer and the employees.

ii. To protect the interest of workers through collective action and by preventing unilateral action on the part of the employer. All employees are treated on equal footings.

iii. To ensure the participation of trade unions in industry.

iv. To avoid the need for Government intervention as collective bargaining is a voluntary process.

v. To promote industrial democracy.

Need of Collective Bargaining

Collective bargaining offers the following advantages:

i. It is a pragmatic and democratic method of regulating the terms and conditions of employment. The parties directly concerned with employment (employers and workers) who best know the problems participate in collective bargaining. It is a voluntary process without any third party intervention.

ii. Collective bargaining results in better understanding between employers and employees. The employer gains a better insight into the problems and aspirations of workers. Similarly, workers become better aware of the economic and technical problems of industry.

iii. Collective bargaining provides a flexible means of adjusting wages and conditions of employment to changes in economic, social, technological and political environment. Both the parties can meet whenever necessary and can adapt the terms and conditions of their agreement to the changing environment.

iv. Collective bargaining helps in establishing a code that defines the rights and obligations of each party. Basic standards are fixed and management cannot take arbitrary actions to exploit workers. Some sort of "industrial jurisprudence" is created.

ii. Collective bargaining facilitates better implementation of both the parties. Parties know that the decisions are their own and nobody has imposed them.

Conditions Essential for Successful Collective Bargaining

In order to make collective bargaining effective the following conditions must be satisfied:

1. ***A Favourable Political Climate:*** The Government and the public opinion must be convinced that collective bargaining is the best method of regulating employment conditions. The Government should remove all legislative restrictions which hamper collective bargaining. It can also confer a right to bargain collectively, lay down the form and content of collective agreement, register these agreements and assist in their enforcement.

2. ***Freedom of Association:*** Collective bargaining is not possible if employees are not free to form trade unions as they please. A strong and representative trade union is required to bargain with the employer on equal basis. In some countries, Governments have made illegal any attempt by employers to interfere with the right of workers to form their unions. Trade unions must be stable and strong enough to honour the collective bargaining agreement. The union should have enough members to justify entering into collective bargaining. Inter-union rivalry often creates instability in unions.

3. ***Recognition of Unions:*** Employers should be required by law to give recognition to representative trade unions. It is in the interest of an employer to recognise a strong union to avoid strikes and to safeguard against undercutting labour standards.

4. ***Willingness to Give and Take:*** Both employers and union leaders should bargain in a spirit of compromise and reciprocity. If the either party adopts a adamant attitude, bargaining will not be possible. Willingness to give and take does not mean that concessions made by one side must be marked by equal concessions by the other side. One party may win concessions over the other depending upon their relative strength. But exaggerated demands must be toned down to reach an agreement.

5. ***Fair Labour Practices:*** Both the employer and trade union should avoid unfair labour practices. Collective bargaining is possible only in an atmosphere of mutual recognition and respect. Management must recognise and accept the workers' right to organise and fight for justice. Similarly, workers and their union must recognise and accept the employer's right to manage. In the absence of such recognition, collective bargaining is a mere trial of strength.

6. ***Problem Solving Attitude:*** The negotiating teams on both the sides must adopt a problem solving rather than a fighting approach. The teams should consist of persons with an analytical mind, objective outlook and cool temper. They must also have an intimate knowledge of operations, working conditions and other relevant factors. They must have full authority to speak and take decisions on behalf of their sides.

1. ***Continuous Dialogue:*** A dead end must be avoided and the talk should continue. At times it may be necessary to leave highly controversial issues for the time being and narrow down the field of disagreement on other matters. As long as talks continue, agreement can be possible.

2. ***Availability of Data:*** The employer must ensure that all the required records are readily available. Facts and figures concerning rates of pay, fringe benefits, manpower forecast, technological changes, etc., provide a rational basis for negotiations. But unless the trade union believes in the data and accepts the same, collective bargaining process may be hampered.

Scope of Collective Bargaining in India

In India, collective bargaining has not made much headway particularly at industry and national levels, due to the following reasons:

i. Lack of strong and central trade unions and employers' organisations who can represent country wide interests.

ii. Excessive dependence on compulsory adjudication for the settlement of industrial disputes. Third party intervention is easier than self-reliance.

iii. Legislation and regulatory bodies like wage boards have reduced the area for collective bargaining.

iv. Multiplicity of unions, inter-union rivalry, political dominance and poor leadership have resulted in weak trade union movement. There is no foolproof method for determining the majority union and no legislation for compulsory recognition of such union as the sole bargaining agent.

v. The Government provides little support to collective bargaining. It has little confidence in the bargaining strength of trade unions. There is fear of strikes and lockouts and inflation which disrupt the planned economy.

vi. Conditions of work and life differ widely in different parts of the country.

The following steps may be taken to make collective bargaining in India more effective:

1. Trade unions should be made more strong and responsible so that they are able to honour the collective agreements. For this purpose it is essential to build internal leadership and to free unions from political control. Minority unions should be excluded from the right to bargain, and right to conciliation. Majority union should be determined by secret ballet rather than check off system. The idea of one union for plant/industry should be popularised.

2. Each party should develop the skill to understand the viewpoint of the other. Positive attitudes should be accepted by both employers and employees towards each other.

3. Collective bargaining should be restricted to matters concerning interests. Disputes concerning rights should be better settled through grievance machinery.

4. When negotiations fail, both the parties should have equal right and freedom to strike work or to declare a lockout.

5. Statutory provisions should be created to make the agreement binding on all the workers. Under Sec 18(1) of the Industrial Disputes Act, a collective agreement is binding only on workers who are a party to it. It does not automatically extend to workers who were not a party to it even though they might they obtained certain benefits under the agreement.
6. A collective bargaining authority may be created. Its functions may include advising the parties on various aspects of collective bargaining, helping them in resolving jurisdictional disputes and registering the agreements made by the parties.
7. Legal provision should be made for (a) compulsory registration of trade unions and their certification as bargaining agents, (b) prohibition and penalisation of unfair labour practices (c) legal recognition of collective agreements.
8. Compulsory adjudication of disputes should be used only as a matter of last resort.
9. Workers' education should be intensified to build up internal union leadership and to improve knowledge of workers.
10. The Government should declare its policy of encouraging the parties to settle their disputes through bipartite consultation and negotiation consistent with public safety and social interest.

Readings

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Chapter 10
Industrial Relations

Introduction

"Industrial relations" pose one of the most delicate and complex problems to modern industrial society. With growing prosperity and rising wages, workers have achieved a higher standard of living; they have acquired education, sophistication and greater mobility. Career patterns have changed, for larger sections of the people have been constrained to leave their farms to become wage-earners and salary earners in urban areas under trying conditions of work. Ignorant and drenched in poverty, vast masses of men, women and children have migrated to a few urban areas. The organization in which they are employed have ceased to be individually owned and have become corporate enterprises. At the same time, however, a progressive, status-dominated, secondary group-oriented, universalistic, aspirant and sophisticated class of workers has come into being, who have their own trade unions, and who have thus gained a bargaining power which enables them to give a tough fight to their employers to establish their rights in the growing industrial society. As a result, the government has stepped in and plays an important role in establishing harmonious industrial relations, partly because it has itself become an employer of millions of industrial workers, but mainly because it has enacted a vast body of legislation to ensure that the rights of industrial workers in private enterprises are suitably safeguarded. Besides, rapid changes have taken place in the techniques and methods of production. Long-established job have disappeared, and new employment opportunities have been created, which call for different patterns of experience and technical education. Labour-employer relationships have, therefore, become more complex than they were in the past, and have been given a sharp edge because of widespread labour unrest. In the circumstances, a clear understanding of the factors which make for this unrest and which are likely to eliminate it would be a rewarding experience for anyone who is interested in industrial harmony.

Definition of Industrial Relations

"Industrial relations" refer to a dynamic and developing concept which is not limited to "the complex of relations between trade unions and management but also refers to the general web of relationship normally obtaining between employers and employees — a web much more complex than the simple concept of labour-capital conflict."

Under the heading, "Industrial Relations," the ILO has dealt with the relationships between the State on the one hand and the employers' and employees' organizations on the other or with the relationships among the occupational organizations themselves. The ILO has used the expression to denote such matters as freedom of association and the right to organize, the application of the principle of the right to organize and the right of collective bargaining of collective agreements, of conciliation and arbitration proceedings, and the machinery for co-operation between the authorities and the occupational organizations at various levels of the economy.

"Industrial relations are an integral aspect of social relations arising out of employer-employee interaction in modern industries, which are regulated by the state, the legal system, and the workers' and employers' organizations at the institutional level; and of the patterns of industrial organization (including management), capital structure (including technology), compensation of the labour force, and a study of market forces — all at the economic level.

"The concept of industrial relations has been extended to denote the relations of the state with employers, workers and their organizations.... The subject, therefore, includes individual relations and joint consultation between employers and workers at their places of work; collective relations between employers and their organizations and trade unions; and the part played by the state in regulating these relations."

Prof. Dunlop defines an industrial relations system in the following way:

An industrial relations system at any one time in its development is regarded as comprised of certain actors, certain contexts, an ideology which binds the industrial relations system together, and a body of rules created to govern the actors at the workplace and work community. There are three sets of independent variables: the "actors"; the 'context' and the 'ideology' of the system. In short, Dunlop's industrial relations system is an analytical enquiry into the structure and process of the dynamics of relations between management, workers and the government.

Content of Industrial Relations

Industrial relations do not constitute a simple relationship, but are a set of functional, inter-dependent complexities involving historical, economic, social, psychological, demographic, technological, occupational, political, legal and other variables, and call for an inter-disciplinary approach to their study. If we make industrial disputes (the absence of positive industrial relations) the centre of the circle, it will have to be divided into various segments. A study of the conditions of work, mainly of the levels of wages and security of employment, comes under the purview of economics; their origin and development under history; the resultant social conflicts under sociology: the attitudes of the combatants, the government and the press under social psychology; their cultural inter-actions under cultural anthropology; state policies bearing on the issues involved in the conflict under political science; the legal aspects of disputes under law; the issues arising out of international aid (to combatants) under international relations; the technological aspects (for example, control of temperature and the introduction of rationalization) of disputes under technology; and the quantitative assessment of losses incurred by the parties and the country's economy under mathematics.

It is obvious from these facts that industrial relations do not function in a vacuum but are multi-dimensional in nature; and they are conditioned by two sets of determinations — the institutional factors and economic factors.

Under institutional factors, Dr. V.B. Singh includes such matters as state policy; labour legislation; labourers' organizations and social institutions (community, caste and joint family, religions); attitudes to work; systems of power and status; motivation and influence; the system of industrial relations, etc. Under economic factors are included economic organizations (socialist, capitalist, individual ownership, company ownership, government ownership); capital structure, including technology; the nature and composition of the labour force, and the sources of supply and demand in the labour market.

Dr. Singh observes: "A country's system of industrial relations is not the result of caprice or prejudice. It rests on the society that produces it. It is a product not only of industrial changes, but of the preceding total social changes out of which an industrial society is built and an industrial organization emerges. It develops and moulds itself according to the institutions that exist in a given society, both pre-industrial and modern. It grows and flourishes or stagnates and decays along with these institutions. The process of industrial relations is intimately connected with the institutional forces which give a shape and a content to sociao-economic policies at a given time.

The development of industrial relations has not been the result of any single factor or cause, but has been determined by the conditions existing on the eve of the Industrial Revolution in Western Europe, and the social, economic and political situations obtaining in different countries. From the earliest days, the changes that took place did not follow a uniform pattern in every country but reflected such economic and social forces as had, for a long time, shaped the principles and practices of industrial relations in Western European countries succinctly summarises these events: "From the earliest phases of industrialization, when workers, formerly working with their own tools entered power-driven factories... to the breakdowns arising out of the industrial conflicts of a later day and then to industrial peace, and thence to the human relations approach to raise productivity in an era of full employment in which the threat of a sack was no longer real, and finally to industrial democracy based on labour partnership not only for a share in profits but also in managerial decisions — this has been a long journey indeed."

To establish government control of such plants and units as are running at a loss or in which production has to be regulated in the public interest.

The State endeavours to correct, through good and harmonious industrial relations, an imbalanced, disordered and maladjusted social order with a view to reshaping complex social relationships following technological advances. It also controls and disciplines both employees and employers, and adjust their conflicting interests: it protects some and restrains others, and tries to evolve a healthy social order.

In other words, the objectives of industrial relations are to facilitate production; to safeguard the rights and interests of both labour and management by enlisting the co-operation of both; to achieve a sound, harmonious and mutual beneficial relationship between employers and employees. According to Kirkaldy, "industrial relations in a country are intimately connected with the form of its political government; and the objectives of an industrial organization may change from economic to political ends." He divides the objectives of industrial relations into four categories

(i) Improvement in the economic conditions of workers in the existing state of industrial management and political government;

(ii) Control exercised by the state over industrial undertaking with a view to regulating production and promoting harmonious industrial relations;

(iii) Socialization or rationalization of industries by making the state itself a major employer; and

(iv) Vesting of a proprietary interest of the workers in the industries in which they are employed.

If political objectives are likely to contribute to disunity in the trade union movement, it would be necessary to provide better and more effective safeguards and exercise greater restraint in order to avoid such a situation.

Participants/Variable in Industrial Relations

The industrial relations system is an organization of recognized major variables which exert a controlling influence of them. Yoder observes: "Industrial relationship is the designation of a whole field of relationship which exist because of the necessary collaboration of men and women in the employment process of an industry." Dunlop has added a new dimension to these inter-relations. He says: "Industrial societies necessary create industrial relations, defined as the complex of inter-relations among workers, managers and government." On this basis, there are there major variables (participants) in industrial relations:

Workers and their Organisations: Here, the emphasis is on the members of organizations, the personal characteristics of workers, their cultural and educational attainments, qualifications, skills and attitudes to work, and so on.

Unions have a crucial role to play in industrial relations. Unions have broad objectives which are:

(i) To redress the bargaining advantage of the individual worker vis-a-vis the individual employer, by substituting joint or collective action for individual action.

(ii) To secure improved terms and conditions of employment for their members and the maximum degree of security to enjoy these terms and conditions.

(iii) To obtain improved status for the worker is his work.

Collective Bargaining vs. Joint Consultation

There is a lot of difference between the two processes. In collective bargaining, the object is to arrive at an agreement on wages and other conditions of employment about which the parties start with divergent viewpoints but ultimately attempt to make a compromise. As soon as the bargain is made, the terms of the agreement are put into operation. On the other hand, the major task of joint consultation such as joint councils relates to the sharing of information and suggestions with regard to issues of common interest including health, safety, welfare and productive efficiency. Although the results of this course of activities may be in the form of recommendations, the ultimate decision remains with the management. Even in situations where there is some similarity between these recommendations and parts of a collective agreement, the joint councils largely depend upon co-operation stemming from common interests while the collective bargaining emphasizes reconciliation of divergent interests or demands.

Features of Collecting Bargaining

The essential features of collective bargaining are as under:

(i) It is a collective process. The representatives of both the management and the employees participate in it.

(ii) It is a continuous process. It establishes regular and stable relationship between the parties involved. It involves not only the negotiation of the contract, but also the administration or application of the contract also. It means that bargaining is a day-to-day process. In this context, Summer Stitcher has rightly observed, "It would be a mistake to assume that collective hargaining begins and ends with the writing of the contract.

(iii) It is a flexible and dynamic process. The parties have to adopt a flexible attitude throughout the process of bargaining.

(iv) It is a method of partnership of workers in management. It is in fact a way to establish industrial democracy.

(v) It is based on give and take approach and not in take or leave approach.

(vi) It is an attempt in achieving and maintaining discipline in industry.

(vii) It is an effective step in promoting industrial jurisprudence.

Subject-Matter of Collective Bargaining

The subject-matter of collective bargaining is very wide and it covers a variety of issues affecting employment relationships between the workers and the management. According to Ghosh and Nath, the issues covered in the collective bargaining are recognition of union, wages and allowances, hours of work, leave and festival holidays, bonus and profit sharing schemes, seniority, rationalization and the issues relating to the fixation of workloads and standard labour force, programmes of planning and development influencing work-force, issues relating to retrenchment and lay off, victimization for trade union activities, provident fund, gratuity and other retirement benefit schemes, incentive systems, housing and transport facilities, issues relating to discipline and shop rules, grievance procedure, working conditions and issues related to safety and accident prevention, occupational diseases and protective clothing, employee benefits such as canteens, rest rooms, medical and health services, and crèches, administration of welfare funds, co-operative thrift and credit societies and educational, recreational and training schemes.

The Indian Institute of Personnel Management, Calcutta suggested the following subject-matter of collective bargaining:

(i) Purpose of agreement, it scope, and the definition of important terms;

(ii) Rights and responsibilities of the management and of the trade union;

(iii) Wages, bonus, production norms, leave, retirement benefits, and terms and conditions of service.

(iv) Grievance redressal procedure:

(v) Methods and machinery for the settlement of possible future disputes; and

(vi) Termination clause.

If there is one issue on which managers spend sleepless nights, it is competition. Competition is heating up day by day and captains of industry are devising new strategies to face it. The surest way of facing the competition is to improve productivity. Productivity itself can best be improved through better industrial relations. Reliance's sprawling Hazira Petrochemicals complex was in the news for its high productivity. This was the result of the better relations that the managers enjoyed with their employees; the management also concluded a new wage agreement later with the workers' representatives within two hours!

Events of this type seem to be exceptions and does not constitute a trend. The prevailing mood in general seems to be of suspicion, distrust, fire fighting, strikes, lock-out and closure of the units. For instance, at the Hosur plant of the Titan, workers went on a strike in 1996 following the dismissal of a female apprentice, who the management felt had a performance below standard. Situation became violent and lock-out was the result. The impasse ended only after the workers extracted an assurance from the management that the dismissed employee would be given a job elsewhere.

Industrial relations (IR) has traditionally been *a fire-fighting* function in our country. The IR man comes into full play only after the crisis erupts. This is so much the case that some IR men are actually known to have stoked the fire to reinforce their own relevance to the organisation. "... the MD of a large corporation remarking that his personnel manager was so much of a fire-fighter that he felt uneasy when there was no fight,"[1] so goes the perception about the industrial relations.

Thus, the scenario relating to industrial relations is a mixed one. Sparks between enlightened managers and motivated workforce co-exist with large scale violence leading to destruction and closures.

But the scenario must change. Unionisation, job security, protective legislation and other shibboleths are losing their relevance. The catch words now relevant are productivity, competitiveness, downsizing, job-hopping and union-free plants.

Nature of IR

Essentially, industrial relations is concerned with the relationship between manage ment and workers and the role of regulatory mechanism in resolving any industrial dispute. A formal definition is : "... concerned with the systems, rules and procedures used by unions and employers to determine the reward for effort and oilier conditions of employment, to protect the interests of the employed and their employers, and to regulate the ways in which employers treat thicr employees."2 Specifically, industrial relations covers the following areas:

- Collective bargaining.
- Role of management, unions, and government.
- Machinery for industrial disputes.
- Individual grievance and disciplinary policy and practice.
- Labour legislation.
- Industrial relations training.

Another related term is 'employee relations' or 'human relations'. This term is more comprehensive and includes ail those aspects of human resource management where employees are dealt with collectively. Human relations ncludes, in addition to industrial relations, such aspects as participative management, employee welfare, employee development, employee remuneration, employee safety and health, and the like. We have covered all these activities in the previous sections of this book. The present section deals purely with industrial relations activities. We, therefore, prefer the term 'industrial relations' to 'employee or human relations'.

Concept of Industrial Relations

"Industrial relations" refer to a dynamic and developing concept which is not limited to the complex of relations between trade unions and management but also refers to the general web of relationships normally obtaining between employers and employees a web much more complex than the simple concept of labour-capital conflict."

Under the heading, " Industrial Relations," the ILO has dealt with the relationships between the State on the one hand and the employers and employees organisations on the other or with the relationships among the occupational organisations themselves. The ILO has used the expression to denote such matters as freedom of association and the right to organise, the application of the principle of the right to organise and the right of collective bargaining of collective agreements, of conciliation and arbitration proceedings and the machinery for co-operation between the authorities and the occupational organisations at various levels of the economy.

"Industrial relations are an integral aspect of social relations arising out employer-employee interaction in modern industries, which are regulated by the State in varying degrees, in conjunction with organised social forces and influenced by the existing institutions. This involves a study of the state, the legal system, and the workers and employers organisations at the institutional level; and of the patterns of industrial organisation (including management), capital structure (including technology), compensation of the labour force, and a study of market forces-all at the economic level.

The concept of industrial relations has been extended to denote the relations of the state with employers, workers and their organisations.... The subject, therefore, includes individual relations and joint consultation between employers and workers at their places of work; collective relations between employers and their organisations and trade unions; and the part played by the state regulating these relations.

Industrial Dispute

Modern industrialization has not been an unmixed blessing. It has created a yawning gulf between management and labour because of the absence of workers' ownership of the means of production. Power has been concentrated in the hands of a few entrepreneurs, while a majority has been relegated to the insignificant position of mere wage-earners. The workers have now come to realize that most of their demands can be satisfied if they resort to concerted and collective action; while the employers are aware of the fact that they can resist these demands. This denial or refusal to meet their genuine demands has often led to dissatisfaction on the part of the workers, to their distress, and even to violent activities on their part, which has hindered production and harmed both the workers and the employers.

According to Patterson, "industrial strifes constitute militant and organized protests against existing industrial conditions. They are symptoms of industrial unrest in the same way that boils are a symptom of a disordered body.

According to Sec. 2 of the Industrial Disputes Act, 1947, "Industrial dispute means any dispute or difference between employers and employers or between employers and workmen or between workmen and workmen, which is connected with the employment or non-employment or the terms of employment or with the conditions of labour of any person". Industrial disputes are symptoms of industrial unrest in the same way that boils are symptoms of a disordered body. Whenever an industrial dispute occurs, both management and workers try to pressurise each other. The management may resort to lock-out and the workers may resort to strike, gherao, picketing, etc.

Strike. Strike is a very powerful weapon used by a trade union to get its demands accepted. It means quiting work by a group of workers for the purpose of bringing pressure on their employer to accept their demands. According to Industrial Disputes Act, 1947, "Strike means a *cessation of work* by a body of persons employed in any industry acting in combination, or a concerted refusal or a refusal under a common understanding, of any number of persons who are or have been so employed, to continue to work or to accept employment."

There are many types of strikes. A few of them are discussed below:

(i) *Economic Strike.* Under this type of strike, members of the trade union stop work to enforce their economic demands such as wages, bonus, and other conditions of work.[3]

(ii) *Sympathetic Strike.* The members of a union collectively stop work to support or express their sympathy with the members of other unions who are on strike in the other undertakings.

(iii) *General Strike.* It means a strike by members of all or most of the unions in a region or an industry. It may be a strike of all the workers in a particular region of industry to force demands common to all the workers. It may also be an extension of the sympathetic strike to express general protest by the workers.

(iv) *Sit Down Strike.* When workers do not leave their place of work, but stop work, they are said to be on sit down or stay in strike. It is also known as tools down or pen down strike. The workers remain at their work-place and also keep their control over the work facilities.

(v) *Slow Down Strike.* Employees remain on their jobs under this type of strike. They do not stop work, but restrict the rate of output in an organised manner. They adopt go-slow tactics to put pressure on the employers.

Lock-Out. Lock-out is declared by the employers to put pressure on their workers. It is an act on the part of the employers to close down the place of work until the workers agree to resume the work on the terms and conditions specified by the employers. The Industrial Disputes Act, 1947 has denned lock-out as *closing of a place of employment or the suspension of work* or the refusal by an employer to continue to employ any number of persons employed by him. Lock-out are declared to curb the activities of militant workers. Generally, a lock-outs is declared as a trial of strength between the management and its employees.

Gherao. It is a Hindi word which means to surround. The term 'Gherao' denotes a collective action initiated by a group of workers under which members of the management of an industrial establishment are prohibited from leaving the business or residential premises by the workers who block their exit through human barricade. A human barricade is created in the form of a ring or a circle at the centre of which the persons concerned virtually remain prisoners of the persons who resort to gherao. Gheraos are quite common in India these days. Gheraos are resorted to not only in industrial organisations, but also in education and other institititions. The persons who are gheraoed are allower to move or do any work.

Gheraos have been criticised legally and morally. Legally gheraos amount to imposing wrongful restraints on the freedom of some persons to move. That is why, courts have held it as an illegal action. Gheraos tend to inflict physical duress on the persons affected. They also create law and order problem. Morally, to gherao a person to press him to agree to certain demands is unjustified because it amounts to getting consent under duress and pressure. A person who is gheraoed is subjected to humiliation. Moreover, a person who has made a promise under gherao is justified in going back over the word after that. In short, as pointed out by the National Commission on Labour, gherao cannot be treated as a form of industrial protest because it involves physical coercion rather than economic pressure.

Picketing. When workers are dissuaded from reporting for work by stationing certain men at the factory gates, such a step is known as picketing. If picketing does not involve any violence, it is perfectly legal. It is basically a method of drawing the attention of public towards the fact there is a dispute between the management and the workers.

Types of Disputes

Disputes, according to the Code of Industrial Relations introduced in the United Kingdom in 1972, are of two kinds:

(a) *Disputes of Right,* which relate to the application or interpretation of an existing agreement or contract of employment; and

(b) *Disputes of Interest,* which relate to claims by employees or proposals by a management about the terms and conditions of employment.

According to the Industrial Disputes Act, 1947, and the many judicial decisions which have been handed down by courts and tribunals, industrial disputes may be raised on any one of the following issues:

(i) Fairness of the Standing Orders;

(ii) Retrenchment of workers following the closing down of a factory, lay-offs, discharge or dismissal, reinstatement of dismissed employees, and compensation for them;

(iii) Benefits of an Award denied to a worker; non-payment of personal allowance to seasonal employees; the demand of employees for medical relief for their parents;

(iv) Wages, fixation wages, and minimum rates, modes of payment, and the right of an employee to choose one of the awards when two awards on wages have ben given;

(v) Lockout and claim for damages by an employer because employees resorted to an illegal strike;

(vi) Payment of hours, gratuity, provident fund, pension and travelling allowance;

(vii) Disputes between rival unions; and

(viii) Disputes between employers and employers.

Causes of Industrial Disputes

(A) Non-Industrial Factors: Industrial relations may be harmonious or strained and acrimonious. In the latter case, there are many causes which are rooted in historical, political and socio-economic factors, and in the attitudes of workers and their employers. Some of the causes of a dispute may be:

(i) An industrial matter relating to employment, work, wages, hours of work, privileges;, the rights and obligations of employees and employers; the mode, terms and conditions of employment, including matters pertaining to —

  (a) Dismissal or non-employment of any person;

  (b) Registered agreement, settlement or award; and

  (c) Demarcation of the functions of an employee;

(ii) An industrial dispute which connotes any difference which has been fairly defined and is of real substance; that is a matter in which both parties are directly and substantially interested; or which is a grievance on the part of a worker which the employer is in a position to redress; or which is such as the parties are capable of settling between themselves or referring it for adjudication;

(iii) Disputes often arise because of: *(a)* The rapidly increasing population which has no opportunities for gainful employment; there is, therefore, no improvement in the standard of living of employees who put forward demands for higher wages which, if not conceded, often lead to strained industrial relations and strikes. *(b)* Rising unemployment. There was a backlog of 20 million unemployed at the end of the Fourth Five-Year Plan and of 30 million by the end of the Fifth Five-Year Plan. Often, unemployment resulted from the implementation of rationalisation schemes and installation of new machines on which fewer persons would be employed. Capital intensive, rather than labour-intensive, industries are set up, which further aggravate the problem of unemployment and create dissatisfaction among the workers. Idle manpower has always been a prolific source of disturbed and acrimonious industrial relations.

(iv) The galloping prices of essential commodities, their shortages and /or nonavailability, all these erode the value of money, as a result of which the real wages of the workers go down. They become dissatisfied, and demand higher wages;

(v) The attitude and temperament of industrial workers have changed because of their education, the growth of public opinion and the legislation enacted for their benefit. They are, therefore, very conscious of their rights, and will not put up with any injustice or wrong done to them;

(vi) Trade unions have often failed to safeguard the interests of workers. The reasons for this state of affairs are:

(a) Rivalry among, and a multiplicity of, trade unions have destroyed the solidarity of the working class;

(b) Non-recognition of some trade unions as bargaining agents of their members;

(c) Compulsory adjudication has made trade unions seem redundant, for the wages and working conditions of industrial employees can now be determined by courts, tribunals and wage boards;

(d) Trade unions generally do not bother about any aspect of the lives of industrial labour except their wages;

(e) Trade union leaders who are not themselves industrial workers have become an eye-sore;

(f) Trade unions generally function on the basis of caste, language, or communal consideration, which divide rather than unify industrial labour;

(g) Trade unions are unstable and ephemeral.

(B) Management's Attitude to Labour: Managements generally are not willing to talk over any dispute with their employees or their representatives or refer it to arbitration even when trade unions want them to do so.

A management's unwillingness to recognise a particular trade union and the dilatory tactics to which it resorts while verifying the representative character of any trade union have been a very fruitful source of industrial strife.

Even when representative trade unions have been recognised by employers they do not, in a number of cases, delegate enough authority to their officials to negotiate with their workers, even though the representatives of labour are willing to commit themselves to a particular settlement.

Some of the other causes are:

(i) The absence of any suitable grievance redressal procedure, as a result of which grievances go on accumulating and create a climate of unrest among workers.

(ii) When, during negotiations for the settlement of a dispute the representatives of employers unnecessarily and unjustifiably take the side of the management, tensions are created, which often lead to strikes, go-slow tactics or lockouts.

(iii) The managements' insistence that they alone are responsible for recruitment, promotion, transfer, merit awards, etc. and that they need not consult their employees in regard to any of these matters, generally annoys the workers, who become un-co-operative and unhelpful, and often resort to go-slow tactics. As a result, tensions build up between the two parties.

(iv) The services and benefits offered by a management to its employees do promote harmonious employer-employee relations. But a large number of managements have not taken any steps to provide these benefits and services for their workers.

(C) Government Machinery: The machinery provided by the government for the resolution of industrial conflicts is often vary inadequate. For example:

(i) The government's conciliation machinery has settled a very negligible number of disputes because both employers and employees have very little confidence in it; because both have become litigation-minded; because it is inadequate, for the number of disputes referred to it is very large and the personnel dealing with them is hopelessly inadequate, particularly because, in addition to labour disputes, it is called upon to see to it that labour laws are properly implemented; and because the officers associated with conciliation proceedings have very little training in handling the problems or disputes which are referred to them.

(ii) Again, trade unions are generally affiliated to some major political party. Each political party, therefore, somehow "engineers" strikes, *gheraos* and *bandhs* to demonstrate its political strength. Invariably, the political party which is in power favours that trade union organisation which is affiliated to it. Result: Labour conflicts and disputes.

Importance

Industrial relations pose one of the most delicate and complex problems to modern industrial society. With growing prosperity and rising wages, workers have achieved a higher standard of living; they have acquired education, sophistication and greater mobility. Career patterns have change, for larger sections of the people have been constrained to leave their farms to become wage earners and salary earners in urban areas under trying conditions of work. Ignorant and drenched in poverty, vast masses of men, women and children have migrated to a few urban areas. The organisations in which they are employed have ceased to be individually owned and have become cooperate enterprises. At the same time, however, a progressive, status-dominated, secondary group-oriented, universalistic, aspirant and sophisticated class of workers ahs come into being, who have their own trade unions, and who have thus gained a bargaining power which enables them unions, and who have thus gained a bargaining power which enables them to give a tough fight to their employers to establish their rights in the growing industrial society. As a result, the government has stepped in and plays an important role in establishing harmonious industrial relations, partly because it has itself become an employer of millions of industrial workers, but mainly because it has enacted vast body of legislation to ensure that the rights of industrial workers in private enterprises are suitably safeguarded. Besides, rapid changes have taken place in the techniques and methods of production. Long-established jobs have disappeared, and new employment opportunities have been created, which call for different patterns of experience and technical education. Labour employer relationships have, therefore, become more complex than they were in the past, and have been given a sharp edge because of widespread labour unrest. In the circumstances, a clear understanding of the factors which make for this unrest which are likely to eliminate it would be rewarding experience for anyone who is interested in industrial harmony.

As was pointed out in the beginning of this chapter, industrial relations is the key for increased productivity in industrial establishments.

Industrial relations has moral dimensions too. It is unethical on the part of any management to take advantage of the helplessness of workers and exploit them. Unemployment compels workers-particularly illiterate and unskilled-to accept jobs inhuman working conditions and niggardly wages, not withstanding.

Industrial relations assumes relevance in this context. One of its objectives is to protect workers' interests and to improve their economic conditions.

Industrial relations seeks to protect the rights of managers too. Managers expect workers to observe codes of discipline, not to join illegal strikes, not to indulge in damage to company's property, not to assault supervisors or peers and not to come inebriated to the workplace. Where a worker's behaviour deviates from expected lines, it is the management's prerogative to take action.

There is a set procedure for handling any act of indiscipline or indiscretion on the part of an employee and if the management satisfies the procedure, it is justified in taking action or even removing the employee from service.

Little do all of us realise that it is the people who create problems everywhere and it is only they, who can find solutions too. If there is a problem from employees, there is a solution also. Viewing every problem seriously and resort.ng to manipulative style of industrial relations which emphasise the need to keep labour in check by floating stooge unions, buying up union leaders, and striking clandestine deals with powerful politicians do no good to managers or to the organisations they represent. The field of industrial relations needs a new look, a look which is free from suspicion, prejudice and ill will towards workers.

Parties to Industrial Relations

The major parties to industrial relations are the employees, employee representatives, employers, associations of employers, government, and courts and tribunals.

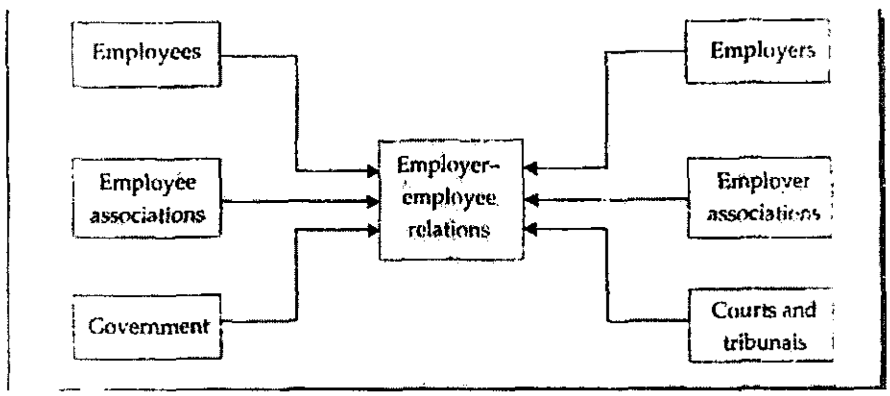

Figure 10.1: Employees

There are about 268.19 lakh employees working in the organised sector in our country (see Table 10.1 for more details). The figure will be a staggering one if the number of employees in the unorganised sector (figures are not available) is added. It is, therefore, useful to make certain observations about Indian workers.

1. ***Commitment to Industry***

Labour is committed to industrial setting thus contributing to stable workforce. True, the worker might have his moorings in villages. But it is unlikely that he would go back to his village. He is settled in the industrial city, his children are put in schools in the city, and except himself, no one else in his family has any nostalgic feelings to the village. Besides the present generation of young workers is mostly born and brought up in urban areas and has accepted industrial employment as a way of life. But, commitment is only to industrial jobs and not to *work*. Hence, low productivity of labour.

2. ***Protective Legislation***

From time to time, the government has enacted a variety of labour acts. Perhaps, ours is the only country in the world which has so many acts to protect workers' interests. Thanks to the enormous protective legislation, wages, benefits, working conditions, safety and health of workers have improved considerably.

3. ***Status of the Worker***

The economic and social status of today's workers is vastly improved industrial employment is no longer the undersirable alternative left for those driven out from

(a) Creating and maintaining employee motivation

(b) Obtaining commitment from the workforce

(c) Establishing mutually beneficial channels of communication throughout the organisation

(d) Achieving high levels of efficiency

(e) Negotiating terms and conditions of employment with employee representatives

(f) Sharing decision making with employees

(g) Engaging in a power structure with trade unions.

Employers' Associations

Employers' associations operate at local, industry and all India levels. The Confederation of Indian Industries (CII) is a powerful body at the national level which is doing an admirable job in protecting and promoting the legitimate interests of owners of industries.

The major objectives of employers associations include:

(a) Represent employers in collective bargaining

(b) Develop machinery for the avoidance of disputes

(c) Provide information on employee relations and to give advice

(d) Represent members on national issues. The specific objectives of CII are:

- Identify and strengthen industry role in the economic development of the country.
- Act as a catalyst in bringing about growth and development of the Indian industry.
- Reinforce industry's commitment to society.
- Work towards globalisation of Indian industry and its integration into world economy.
- Provide up-to-date information and data to industry and government.
- Create awareness and support industry efforts on quality, environment and consumer protection.
- Identify and address special needs of the small scale sector.
- Promote co-operation with counterpart organisations.

The other major all India employer's associations are: ASSOCHAM, FICCI, AIMO, WASME, FASSI, and FIEO.

Role of Government

In a sense, government intervention in industrial relations is as old as the industry itself. However, till the 19th century, governments everywhere followed the *laissez faire policy*—they left industrial relations to the managers and workers who were required to solve the problems themselves. Towards the end of the 19th century, the attitude of the governments changed, and intervention became a reality. The state, as of today, regulates the relationship between management and labour and seeks to protect the interests of both the groups. The government has set up wage boards, labour courts, tribunals and enacted laws to lay down norms and to enforce their compliance.

Judiciary and Employee Relations

The powers of the judiciary are of a dual type:

(i) The authority of the courts to settle legal disputes;

(ii) Judicial review—the authority of the courts to rule on the constitutionality of legislation.

As far as the second is concerned, the judiciary gets activated when the legislator passes laws repugnant to the Constitution and when the government implements the enactment approved by the legislature in a manner opposed to the provisions of the legislation. In other words, the courts to justice protect the citizens from unlawful acts passed by the legislature and arbitrary acts done by the executive. It is the power of the judiciary to settle legal disputes, referred to them, that affect industrial relations considerably. The judicial pronouncements will have far reaching impact because (i) judicial errors do occur, though infrequent, *(ii)* possibility of wrong assessment of penalty, "Judges notoriously vary in the severity of punishment inflicted"[1], and *(iii)* judges are known for pronouncing conflicting verdicts on the same or similar disputes.

The role of the judiciary in industrial relations has not been always positive. The result is that indiscipline in industry has spread like wildfire and sapped the national production and productivity. The classic case is the textile industry which has been wrecked by indiscipline." The conflagration is continuing to engulf various industries one by one.

Industrial Relations Strategy

It is necessary to have a clear-cut strategy for industrial relations, although, the management of industrial relations is essentially a knee jerk reaction to events and problems and is therefore, far removed from the world of strategic thinking and planning. Since employer-employee relations are usually presumed to be satisfactory until they get out of hand, managers rarely, feel the need to act before the trouble breaks out.

But the reactive strategy cannot continue for long. Growing competition, difficult economic environment, rising labour costs, and low productivity compel business leaders to think and plan proactive strategies towards industrial relations.

Where organisations have proactive strategies, the goal should be to ensure that corporate objectives can be achieved by gaining the maximum amount of co-operation from employees and by minimising the amount of industrial unrest.

Factors Affecting Employee Relations Strategy

Two sets of factors, **internal** as well as external, influence industrial relations strategy. The internal factors are:

- The attitudes of management to employees and unions.
- The attitudes of employees to management.
- The attitudes of employees to unions.
- The inevitability of the differences of opinion between management and unions.
- The extent to which management can or wants to exercise absolute authority to enforce decisions affecting the interests of employees.
- The present and likely future strength of the unions.
- The extent to which there is one dominating union or the existence of multiple unions leading to inter-union rivalry.
- The extent to which effective and agreed procedures for discussing and resolving grievances or handling disputes exist within the company.
- The effectiveness of managers and supervisors in dealing with industrial relations' problems and disputes.
- The prosperity of the company, the degree to which it is expanding, stagnating or running down and the extent to which technological changes are likely to affect employment conditions and opportunities.

The external factors affecting industrial relations strategy are:

- The militancy of the unions—nationally or locally.
- The effectiveness of the union and its officials and the extent to which the officials can and do control the activities of supervisors within the company.
- The authority and effectiveness of the employers' association.
- The extent to which bargaining is carried out at national, local or plant level.
- The effectiveness of any national or local procedure agreements that may exist.
- The employment and pay situation—nationally and locally.

- The legal frame work within which industrial relations exist.

Industrial Relations Decisions

A proactive industrial relations strategy programme must cover the following decisions:

- *Communication:* How best can we convey our philosophy to employees?
- *Relationships:* How well can we improve our relationships with employees and unions?
- *Competence:* How to improve competence of managers and supervisors in dealing with industrial relations matters?
- *Discipline and conflict:* How shall we deal with it?

Communication

The core of an industrial relations programme is the personnel manual. The manual sets out the rules and policies within which managers and employees must operate. The manual tells how the management awards recognition to the union and offers facilities, how it recognises officers association, how to handle a grievance, code of discipline in industry and the like.

The manual needs frequent updating, must be publicised to all employees, and all supervisors must be familiar with it. HAL, Bangalore, has a well drafted personnel manual running into 94 pates of printed matter. The mannual covers, in addition to aspects of employee relations, other topic like welfare, medical facilities, and gratuity rules. All employees and fairly familier with the contents of the manual.

Relations

Relationships with employees may be improved through joint consultation. Relationships with unions or staff associations may be developed through collective bargaining and other industrial relations procedure or by improving the operation of existing procedures.

Competence

Managers and supervisors need to develop competence in handling industrial relations. Such competence may be developed by training managers and supervisors in industrial relations. Suffice it is to say that training programme must be conducted alter assessing the training needs of the managers and supervisors. Each training programme must have specific objectives and the contents must help the trainees realise the goals.

Negotiating skills must form a part of the training offered to managers. Negotia-ting skills are best acquired by experience but it is dangerous to allow inexperie-nced managers to meddle with negotiations. Training in negotiating skills is most effective if it is through case analysis. A case study based on an actual problem of the company may be assigned to the managers who will be required to analyse the case and offer remedies.

Training should not be confined to managers and supervisors alone. Union leaders and employees also must be associated with the programme, as they are as much a party to a conflict as managers or supervisors.

Discipline and Conflict

If both employees as well as employers adhere to well laid out norms, disputes do not occur. Where a conflict occurs, the management must resolve it. There are set procedures to resolve disputes.

Content of Industrial Relations

Industrial relations do not constitute a simple relationship, but are a set of functional, inter-dependent complexities involving historical, economic, social, psychological, demographic, technological, occupational, political, legal and other variables, and call for an inter-disciplinary approach to their study. If we make industrial disputes (the absence of positive industrial relations) the centre of a circle, it will heave to be divided into various segments. A study of the conditions of work, mainly of the levels of wages and security of employment, comes under the purview of economics; their origin and development under history; the resultant social conflicts under sociology; the attitudes of the combatants, the government and the press under social psychology, their cultural inter-actions under cultural anthropology. state policies bearing on the issues involved in the conflict under political science; the legal aspects of disputes under law; the issues arising out of international aid (to combatants) under international relations, the technological aspects (for example, control of temperature and the introduction of rationalisation) of disputes under technology; and the quantitative assessment of losses incurred by the parties and the country's economy under mathematics.

It is obvious from these facts that industrial relations do not function in a vacuum but are multi-dimensional in nature; and they are conditioned by two sets of determinants-the institutional factors and economic factors.

Under institutional factors, Dr.V.B.Singh includes such matters as state policy; labour legislation; and employers' organisations and social institutions (community, caste and joint family, religions); attitudes to work; systems of power and status; motivations and influence; the system of industrial relations, etc. Under economic factors are included economic organisations (socialist, capitalist, individual ownership, company ownership, government ownership); capital structure, including technology; the nature and composition of the labour force, and the sources of supply and demand in the labour market.

Dr. Singh observes: "A country's system of industrial relations is not the result of caprice or prejudice. It rests on the society that produces it. It is a product not only of industrial changes, but of the preceding total social changes out of which an industrial society is built and an industrial organisation emerges. It develops and moulds itself according to the institutions that exist in a given society, both pre-industrial and modern. It grows and flourishes or stagnates and decays along with these institutions. The process of industrial relations is intimately connected with the institutional forces which give a shape and a content to socio-economic policies at a given time."

The development of industrial relations has not been the result of any singly factor or cause, but has been determined by the conditions existing on the eve of the Industrial Revolution in Western Europe, and the social, economic and political situations obtaining in different countries. From the earliest days, the changes that took place did not follow a uniform pattern in every country but reflected such economic and social forces and had, for a long time, shaped the principles and practices of industrial relations in Western European countries. Dr. Baljit Singh succinctly summarises these events: "From the earliest phases of industrialisation, when workers, formerly working with their own tools, entered power-driven factories... to the breakdowns out of the industrial conflict of a later day and then to industrial peace, and thence to the human relations approach to raise productivity in a an era of full employment in which the threat of a sack was no longer real, and finally to industrial democracy based on labour partnership not only for a share in profits but also in managerial decisions – this has been a long journey indeed.

Objectives of Industrial Relations

In addition to their primary objective of bringing about good and healthy relations between employers and employees, industrial relations are designed:

- To safeguard the interests of labour and of management by securing the highest level of mutual understanding and goodwill among all those sections in the industry which participate in the process of productions;
- To avoid industrial conflict or strike and develop harmonious relations, which are an essential factor in the productivity of workers and the industrial progress of country.
- To raise productivity to a higher level in an era of full employment by lessening the tendency to high turnover and frequent absenteeism;
- To establish and nurse the growth of an Industrial Democracy based on labour partnership in the sharing of profits and of managerial decisions, so that an individual's personality may grow to its full stature for the benefit of the industry and of the country as well;
- To eliminate, as far as is possible and practicable, strikes, lockouts and gheraos by providing reasonable wages, improved living and working conditions, and fringe benefits;
- To establish government control of such plants and units as are running at a loss or in which production has to be regulated in the public interest.

The State endeavors to correct, through good and harmonious industrial relations, an imbalanced, disordered and maladjusted social order with a view to reshaping complex social relationships following technological advances. It also controls and disciplines both employees and adjusts their conflicting interests; it protects some and restrains others, and tries to evolve a healthy social order.

In other words, the objectives of industrial relations are to facilitate production; to safeguard the rights and interests of both labour and management by enlisting the co-operation of both; to achieve a sound, harmonious and mutually beneficial relationship between employers and employees. According to Kirkaldy, "industrial relations in a country are intimately connected with the form of its political government; and the objectives of an industrial organisation may change from economic to political ends." He divides the objectives of industrial relations into four categories:

- Improvement in the economic conditions of workers in the existing state of industrial management and political government;
- Control exercised by the state over industrial undertakings with a view to regulating production and promoting harmonious industrial relations;
- Socialisation or rationalisation of industries by making the state itself a major employer; and
- Vesting of proprietary interest of the workers in the industries in which they are employed.

If political objectives were likely to contribute to disunity in the trade union movement, it would be necessary to provide better and more effective safeguards and exercise greater restraint in order to avoid such a situation.

Participants/Variables in Industrial Relations

The industrial relations system is an organisation of recognised major variables, which exert a controlling influence on them. Yoder observes: "Industrial relationship is the designation of whole field of relationships which exist because of the necessary collaboration of men and women in the employment process of an industry." Dunlop has added a new dimension to these inter-relations. He says: "Industrial societies necessarily create industrial relations, defined as the complex of inter-relations among worker, managers and government. On this basis, there are there major variables (participants) in industrial relations:

Workers and their Organisations: Here, the emphasis is on the members of organisations, the personal characteristics of worker, their cultural and educational attainments, qualifications, skills and attitudes to work, etc.

Managers and their Organisations: Here, the emphasis is on work groups, teams, the variations in their sizes, composition and the extent of specialisation they impose. Provision is made for internal communication, for the structure of status and authority, and for such ancillary organisations as trade unions and employers' associations.

Role of the Government: Here, the emphasis is on the role and responsibilities of governmental agencies, the extent of official intervention, assistance and regulation of working conditions and working communities.

These three groups-workers, employers, and the government interact within the social and economic environment that prevails at a particular time.

It is obvious, then, that every industrial relations system creates its own complex of rules and regulations, which govern the place of work and the working community. These rules and regulations may take a variety of forms in different systems; there may be laws and awards of courts, committees or tribunals; there may be agreements, written or sanctioned by custom, usage, practice, or tradition, or which may be the result of government policies or intervention.

The characteristics of the participants in industrial relations may, therefore, be re-stated in the following way:

The Workers' Organisations: These are mainly political institutions – associations of employees formed and maintained for the specific purpose of wresting concessions from employers. They acquire power, status and authority by reason of the support they enjoy of their member. Their power is used to fetter a management's discretion and pressure it into yielding to their demand for better and higher wages, for improvement in their working conditions, for better and more amenities and welfare schemes, etc. As a matter of fact, a trade union is often looked upon as a conflict association, which has strong political and emotional overtones.

The Employers' Organisations: These are voluntary bureaucratic institutions which are hierarchical in nature and which place reliance on specialisation and division of labour for the attainment of their objective. They co-ordinate their activities through a system of graded authority, and make use of a direct system of communication for their orders and directives.

The Government: This is a very large bureaucratic organisation, though it may often be a democratic on as well. It tries to regulate the relationships of employers and employees, and keeps an eye on both groups to keep each in line. This relationship is enforced and maintained through labour courts, industrial tribunal, wage boards, investigating and enquiry committees, which lay down principles, norms, rules and regulations, and give awards. All these are placed on the statue book and have to be observed by workers and employers as well.

Aspect of Industrial Relations

It should be noted that the concept of industrial relations, has a very wide meaning and connotation. In the strictest sense, it refers to employer-employee relationships, that is, the relationship which emerges from the day-to-day association of management and labour. In its wider sense, the concept includes the relationship between employer and employee in the course of the running of an industry, and may project itself into spheres, which may cover the areas of quality control marketing, price fixation and disposition of profits. However, the phrase industrial relations is generally used in the narrower sense.

An industry is social world in miniature. As an association of various persons- workers, supervisory staff, management and employer- it creates an industrial relationship. This association often affects and influences, for better or worse, the economic, social and political life of the whole community. In other words, industrial life creates a series of social relationships which have an impact not only on the relations between employers and employees but also an the industry as a whole and on the community at large. Industrial relations are, therefore, an inherent aspect of industrial life, and may be classified under the following categories:

- Labour-management relations at plant and industry level.
- Group relations among various groups of workers.
- Community relations between industry and society.

Here, we are concerned with the first category. The main purposes of industrial relations are:

- Development of healthy labour-management relations;
- Maintenance of industrial peace and avoidance of industrial strike; and
- Development and growth of industrial democracy.

Development of Healthy Labour-Management Relations: The promotion of healthy labour-management relations presupposes:

(a) The existence of strong, well-organised, democratic and responsible trade unions and associations of employers in an industry. These organisations help bring about a greater sense of jobs security among the employees, and assist in the workers increased participation in decision-making, particularly in those decisions which affect the terms and conditions of their employment, and ensure that labour has a dignified role to play in society. They also try to create favourable conditions for negotiations, consultations and discussions with employers so that these may pave the way to better labour-management relations.

(b) Collective bargaining and a willingness to accept voluntary arbitration. Collective bargaining pre-supposes an equality of status between two contending groups which are in conflict with each other, and prepares the ground for mutual trust and goodwill which will ensure fair discussion, consultation and negotiation on matters of common interest to both industry and labour. Collective bargaining, plant discipline and satisfactory trade union relations, are the three principal items, which determine the quality of industrial relations.

(c) The welfare work undertaken by the government, the trade unions and employers creates and maintains good and healthy labour-management relations and paves the way for industrial peace.

Maintenance of industrial peace: Industrial harmony and peace can be established if:

(a) A machinery for the prevention and settlement of industrial disputes is provided in the form of legislative enactments and administrative action (for example, the Trade Union Act, the Industrial Disputes Act, and Industrial Disputes Act, and Industrial Employment Act); works committees and joint management councils; conciliation officers and conciliation boards; labour courts, industrial tribunals, national tribunals, courts of enquiry; and voluntary arbitration;

(b) The government has armed itself with appropriate powers to refer disputes to an adjudicator when the situation gets out of control and the industry is faced with economic collapse because of strikes, or when it is urgent and in the public interest to so refer disputes for adjudication;

(c) The government has the power to maintain the status quo, and exercise it when it discovers that, after a dispute has been referred to an adjudicator, a strike or lockout continues, and that strike or lockout is likely to adversely affect the economic life of the community or create conditions in an industry;

(d) There is provision for bipartite and tripartite forms of the settlement of disputes which operate on the basis of the Code of Discipline in Industry, the Code of Conduct, the Code of Efficiency and Welfare, and on the basis of Model Standing Orders, Grievance Redressal Procedure and the grant of voluntary recognition to trade unions by industrial organisations; and

(e) Implementation and Evaluation Committees are created and maintained for the specific purposes of ensuring the implementation of agreements, settlements and awards, and of looking into any violations of statutory provisions of the various labour laws.

Industrial Democracy: An industrial democracy can be established in a country if:

(a) There are Joint Management Councils which endeavour to improve the working and living conditions of employees, to step up their productivity, to encourage suggestions from works, to assist in the administration of labour laws and agreements, to serve as a channel of communication between management and workers, to create in the latter a sense of participation in the decision-making process and a sense of belonging to an organisation;

(b) There is a recognition of human rights in an industry- a recognition of the fact that: labour is no longer an article or a commodity of commerce: which can be bought and disposed of at the whims and caprices of an employer; that workers are human beings who should be treated as human beings, who should be allowed to develop and keep their self-respect, so that they may understand and appreciate their role in the organisation to which they belong, and their urge for self-expression, through close association with the management, may be satisfied;

(c) There is increased labour productivity. The factors which contribute to higher productivity are: improvement in the efforts and skills of the workers; improvements in the production design and the process of manufacture, in the materials and equipment used, in layout and methods of work; improvements in research and in the techniques of manufacture, including special studies of technological developments in the industry elsewhere; improvement in output following capital intensification within the framework of the same technology; and improvement in management methods and practice; and

(d) There is suitable material and social environment, to which workers may adjust and adapt themselves while they are at work in an organisation, for it is this environment which would stimulate or depress them, which would improve or harm labour-management relations, particularly if we bear in mind the fact that the environmental grievances of workers have a profound influence on industrial relations.

It is obvious from the foregoing that the function of industrial relations is to bring about solutions of conflicts between labour and management-conflicts between objectives and values, between the profit motive and social gain, between discipline and freedom, between authority and workers, between bargaining and co-operation: and these solutions should be in the interests of the individual, the group and the community.

In a dynamic society, industrial relations should be based on an integrated and synthetic approach, and should aim at the development of a common social, cultural and psychological understanding on the one hand and restraining the conflict or struggle complex on the other. The philosophy behind industrial relations in a democratic set-up is to ensure the dignity and welfare of the individual, so that he may develop into a good citizen, so that he may be free from domination, regimentation or arbitrary authority, whether a management, trade union officials or government officials, exercises this authority.

Industrial Relations Programme

Today's professional industrial relations director, or by whatever title he is designated, no longer views his job as personalising management, or that of a social worker in a factory, or a union buster. He looks upon his department as an adjunct to management supervision at all levels; he keeps other executives informed about new discoveries, programme trends and needs. At the same time, he provides efficient service in the operation of several centralised services.

A successful industrial relations programmed reflects the personnel viewpoint, which is influenced by three main considerations:

(a) Individualised thinking;

(b) Policy awareness; and

(c) Expected group reaction.

Individual thinking makes it imperative for the administrator to consider the entire situation in which the affected individual is placed. Policy awareness underscores the idea of the consistency of treatment and the precedent value of any decision which a management takes; while expected groups reaction balances what we know of human nature in groups against an individual's situation in the light of the policy that has been formulated and implemented. In all these different circumstances, reality demands that all the three aspects of the personnel viewpoint should be considered at once in terms of the past, the present and the future. This viewpoint is held at all the level's of management-from the top to the bottom, from the top executives and staff to the line and supervisory personnel.

Scope of Industrial Relations Work

The staff employed in the industrial relations department should know the limitations within which it has to function. The industrial relations director generally has several assistants who help him to perform his functions effectively; and he usually reports directly to the president or chairman of the board of directors of an organisation.

The functions of the industrial relations staff are:

- Administration, including, overall organisation, supervision and co-ordination of industrial relations policies and programmes.
- Liaison with outside groups and personnel departments as well as with various cadres of the management staff.
- The drafting of regulations, rules, laws or orders, and their construction and interpretation,
- Position classification, including overall direction of job analysis, salary and wage surveys and pay schedules.
- Recruitment and employment of workers and other staff.
- Employment testing, including intelligence tests, mechanical aptitude tests and achievement tests.
- Placement, including induction and assignment.
- Training of apprentices, production workers, foremen and executives.

- Performance reports or merit ratings.
- Employee counselling on all types of personnel problems educational, vocational, health, or behaviour problems.
- Medical and health services.
- Safety services, including first aid training.
- Group activities, including group health insurance, housing, cafeterial programmes and social clubs.
- Suggestion plans and their uses in labour, management and production committees.
- Employee relations, specially collective bargaining with representatives, and settling grievances.
- Public relations.
- Research in occupational trends and employee attitudes, and analyses of labour turnover.
- Employee records for all purposes.
- Control of operation surveys, fiscal research and analysis.
- Benefit, retirement and pension programmes.

An idea of an industrial relations programme in a typical industrial organisation may be had from Chart.

Functional Requirements of Successful Industrial Relations Programme

The basic requirements on which a successful industrial relations programme is based are:

Top Management Support: Since industrial relations is functional staff service, it must necessarily derive its authority from the line organisation. This is ensured by providing that the industrial relations director should report to a top line authority – to the president, chairman or vice president of an organisation.

Sound Personnel Policies: These constitute the business philosophy of an organisation and guide it in arriving at its human relations decisions. The purpose of such policies is to decide, before any emergency arises, what shall be done about the large number of problems which crop up every day during the working of an organisation, Policies can be successful only when they are followed at all the levels of an enterprise, from top to bottom.

Adequate practices should be developed by professionals: in the fields to assist in the implementation of the policies of an organisation. A system of procedures is essential if intention is to be properly translated into action. The procedures and practices of an industrial relations department are the "tools of management" which enable a supervisor to keep ahead of his job-that of the timekeeper, rate adjuster, grievance reporter and merit rater.

Detailed Supervisory Training: To ensure that organisational policies and practices are properly implemented and carried into effect by the industrial relations staff, job supervisors should be trained thoroughly, so that they may convey to the employees the significance of those policies a .d practices. The should, moreover, be trained in leadership and in communications.

Follow-up of Results: A constant review of an industrial relations programmed is essential, so that existing practices may be properly evaluated and a check may be exercised on certain undesirable tendencies, should they manifest themselves. A follow-up of turnover, absenteeism, departmental morale, employee grievances and suggestions; wage administration, etc. should be supplemented by continuous research to ensure that the policies that have been pursued are best fitted to company needs and employee satisfaction. Hints of problem areas may be found in exit interviews, in trade union demands, and in management meetings, as well as in formal social science research.

Plans and Industrial Relations

Immediately after India became a Sovereign Democratic Republic, the concept of planned economic development through planning was accepted and the Planning Commission was set up in March 1950. The advent of the era of planning brought in its wake a set of new problems as well as popular expectation. Six plans have been completed and the Seventh is continuing. The Seven successive plans laid down certain basic concepts and principles regarding (i) workers' right of association and organisation: *(ii)* the machinery and procedure for settlement of disputes; and *(Hi)* the implementation of awards and agreements. The plants have had two distinctive objectives in regard to industrial relations: (i) the avoidance of industrial disputes and creation of machinery for settlement of industrial disputes; *(ii)* the creation of necessary atmosphere for the development of labour management co-operation and harmonious relations through the adoption of suitable institutional frame-work.

The First Five Year Plan (1951-52—1955-56) paid considerable attention to labour problems including strikes and lock-outs, as well as popular expectation of working class. The Plan recognised workers' right to strike and observed:

In an economy organised on the basis of competition, private monopoly or private profits, the workers' right to have recourse to peaceful direct âction for the defence of their rights and the improvement of their conditions cannot be denied and should not be curtailed unduly.

But, this right should at least be suspended, if not entirely curtailed during emergency and in case of services essential to the safety and well-being of the community:

In any emergency and in the case of services, essential to the safety and well-being of the community recourse to a strike or lock-out may be suspended or withheld on the condition that in all such cases provision is made for all just settlement of the parties' claim.

Reiterating the aforesaid line of thinking the Planners observed:

Experience of many years have demonstrated that in the majority of labour struggles, owing to ignorance and the mistakes of the workers and their organisational and bargaining weaknesses they have failed to gain their ends irrespective of the merits of the disputes.

While accepting the wisdom of holding the balance fairly between capital and labour the planners conceded that the employer usually possess superior strength which may become a source of injustice and oppression unless he is imbibed with high sense of fairness and uses his advantage with scrupulous regard to the rights and interests of others.

It accordingly pleaded for intervention to strike the balance:

The community has, therefore, to intervene for redressing the balance in favour of the weaker party to assure just treatment for all concerned. Legal provisions relating to trade unions and industrial disputes have to be framed and interpreted in relation of these objectives.

The Second Five Year Plan envisaged a marked shift in industrial relation policy consequent on the acceptance of the socialistic pattern of society and the goal of planning. The Plan stated that greater stress should be laid on the creation of industrial democracy in which a worker should realise that he was a part and parcel of the industrial apparatus that was to usher in socialistic pattern of society. The planners emphasised mutual negotiations as an effective mode of settling industrial dispute. Among the other recommendations in the Plan were demarcation of functions between works committee and increased association of labour unions with management and provision for

The Seventh Five Year Plan laid considerable emphasis on measures designed to improve labour management relations without which the realisation of developmental objectives of the plan would be difficult. Viewed from this perspective, increases in industrial production and productivity are attainable only in an atmosphere free from industrial conflicts of any kind. For this discipline and motivation of works, harmonious industrial relations, participation of workers and healthy working climate are *sine quo non.* The Plan highlighted the need for creating harmonious industrial relations by adopting several measures such as (i) there should be proper management of industrial relations, *(ii)* there should be identification of responsibilities of the unions and employers and *(iii)* inter-union and intra-union rivalaries should be avoided Further the Plan suggested that some policy of tackling industrial sickness in future has to be evolved while protecting the interest of labour. Moreover, the Plan laid emphasis on upgradation of technology, modernization of equipment and better utilization of assets and promotion of efficiency.

The Eighth Five Year Pian paid considerable attention to the working conditions, welfare and social security measures and enforcement of labour laws for unorganised labour, women and child labour. The Plan stated that emphasis should be laid "on skill formation and development, strengthening and modernisation of employment, service, promotion of industrial and mines safety, workers' education, promotion of self employment, enforcement of labour laws, promotion of a healthy industrial relations situation and encouragement of workers' participation in management recognition of trade unions. Keeping in mind the desirability of having one union to one industry the plan also suggested that the number of outsiders who could serve as union office-bearer be further restricted. Thus, the Plan pleaded for maintenance of industrial peace by preventing strikes and lockouts.

The Third Five Year Plan did not suggest any major change in policy. The Plan placed emphasis on collective bargaining and on mutual agreements for industrial relations as well as workers' well being. It also emphasised the economic and social aspects of industrial peace and elaborated the concept that workers and management were partners in a joint endeavour to achieve common ends. The voluntary arrangement agreed to in Second Plan were strengthened by the Industrial Truce Resolution, 1962.

The Fourth Five Year Plan also stressed the need for more effective implementation of labour administration for better enforcement of labour iaws.

The Fifth Five Year Plan highlighted that:

Inadequacies of management and bad industrial relations are among the most important factors for delay and inefficiency in implementation of projects and for under-utilisation of capacity. It accordingly pleaded:

It is imperative to bring about a marked improvement in the operational efficiency of the public sector as also of the private sector. Important suggestions given in the Fifth Plan are as follows:

Some unification of the trade union movement is necessary even for smooth functioning of modern capitalist society, let alone for building up a socialist society. Only this way can industrial relations be put on an orderly basis, through collective bargaining and other devices. Among the other suggestions of Fifth Five-Year Plan are professiona-lisation of management and active association of the working class.

The Sixth Five Year Plan did not introduce any major change in the industrial relations policy. However, there are two aspects which received the Planners attention. *First,* it stressed the need for simplification of procedure for settlement of industrial disputes in order to ensure "quick justice" to workers and a feeling of certainty among employers. *Second,* it emphasised the need for increasing the number of existing Labour Courts and Tribunals and for setting up new machinery for speedy settlement of industrial disputes. However, the nature and design of new machinery has not been spelt out. Realising the importance of the system of industrial relations machinery the Sixth Plan pleaded that the industrial relations machinery should be strengthened both in Centre and States for anticipating labour problems and taking preventive measure to avert work-stoppages.

Industrial Relations and the Constitution

The emergence of labour problems is a result of the source change that book place in India after the Industrial Revolution. There has been transformation of the society from Agriculture to the industrial culture. The history indicates that it was the social workers and influene of the International Labour Organisation that influenced the Government in enacting labour laws to protect the interests of labour. After independence the Government of India enacted a series of legislation to protect the working class from exploitation and brought labour improvement in their working and living conditions. The goals for passing of the protective labour legislation in India were set by the constitution adopted by India after Independence.

The constitution guarantees some fundamental Rights to all citizens. It has laid down to certain Directive Principles of state policy or achievement of social order base on Justice, Liberty, Equality and Fratenity. The constitution has provided for the upliftment of the labour class by guaranteeing certain fundamental right to all. Article 14 of the constitution lays down that the state shall not deny to any person equality before the law or equal protection of laws. It enunciates that there shall be equality of opportunity to all citizens in the matters relating to employment or appointment to any office under the state. Citizens have the right to form association or unions. Traffic in human beings and forced labour and the employment of children in factories or mines or other hazardous work is prohibited. The directive principles are fundamental in governance of the country although these are not enforceable by court. It is the duty of the state to apply those principles in making from time to time.

Under the constitution of India the subject of labour is in the concurrent list there by giving power to the center as well state to make laws in the interests of labour. The Article 254 of the constitution, brings clarity in the powers of the central and the state Government the Clause (1) in Article 254 states in case of any repugnancy between the centre and state labour legislation the legislation of the central Government shall prevail. However, under Clause (II) of Article 254 when state enacts a law in respect of matters from the concurrent list on labour reserved for the consideration of the President of the Indian union and such an enactment receives the Presidents assent the state law will prevail in the state and provision of the law repugnant to the provisions of an earlier law widely the parliament or any existing law with respect to that matter have priority over the Central Legislation. The provision of Articles 39,41, 42, plus 43 of the Constitution of India have important relevance in labour legislation and adjudication by the Tribunals Article 39 of the Constitution enunciates the State shall direct its policy towards equal pay for both men and women, Article 39 of the constitution says that the state should direct its policy towards securing:

(1) That the citizens, men and women equally have the right to an adequate means of livelihood.

(2) That the ownership and control of the national resources of the community are so distributed as best to serve the common good.

(3) That the operation of the economic system does not result in concentration of wealth and means of production to the common detriment.

(4) That there is equal pay for equal work for both men and women.

(5) That the health and strength of workers, men and women and the tender age of children are not abused and that the citizens are not forced by economic necessity to enter and avocations not suited to their age and strength.

(6) That children are given opportunities and facilities to develop in a healthy manner and in conditions of freedom and dignity and that child hood and youth are protected against exploitation and against moral and material abondonment.

Article 41, directs the state, the make effective provision within its economic capacity and developmental plans *for securing the right to work, right to education and to public assistance in cases of unemployment*, old age sickness and-disablement and in other cases of undeserved want.

Article 42, enjoins the state Government to make provisions for securing just and humane conditions of work and for maternity benefit to the female employees. Article 43, directs the state to secure by suitable legislation or economic provisions or in any other manner to all agricultural and industrial workers a living wage, conditions of work which ensures a decent standard of life and full enjoyment of leisure and social and cultural opportunities

Under Article 43A it is obligatory on the state to take steps by suitable legislation or otherwise to secure participation of workers in the management of undertakings and certain industrial establishments. The directive principles are not mandatory under constitution, they are the backbone and foundation on which the centre and the state can make legislation for the welfare of the workers. These directive principles have a moral and ethical force behind them which enjoins the centre and the state to ensure enforcement by suitable legislation.

The constitution guarantees social security to the workers. As a result the Central Government has enacted various legislations to benefit the workers. Some of the important pieces of legislation are the Employees State Insurance Act, 1948. The Employees Provident Funds and Miscellaneous Provisions Act, 1952, the Maternity Benefit Act, 1961.

The benefits available to the covered employees under these Act are:

(1) The Employees State Insurance Act, 1948 and the Scheme thereunder — The provisions of the Act cover various social security measures for the health, sickness, accidental death of the workers. The benefits provided are: (1) sickness benefit and extended sickness benefit; (2) maternity benefit; (3) disablement benefit; (4) dependants benefit; (5) funeral benefit; (6) medical benefit. All benefits except the medical benefit are given in cash. The medical benefit is in kind. The administration of the scheme is entrusted to an autonomous body called the Employees State Insurance Corporation.

The Provident Fund scheme provides benefits to the industrial workers and their families. There are old age benefit to the employee on his retirement. In case of death of an employee the dependants get the benefit. The Provident Fund Act also covers the Family Pension cum Life Assurance to the worker. Under this scheme employees dependants get a pension in the event of untimely death of the employee.

The Maternity benefit scheme is designed to provide full wages and security of employment to female members who give birth to child. It enables female employee to get leave with full wages for at least 6 weeks before and 6 weeks after confinement.

The Payment of Gratuity Act, 1972 provides for payment of gratuity to employees employed in factories, mines, oil fields, plantations, ports, railways, shops and establishments. All employees who have rendered a minimum of 5 years continuous service in the above establishments are entitled to gratuity at the time of superannuation, retirement, resignation, death, if they leave their job due to accident, decease or disablement. The employers are required to pay gratuity at the rate of 15 days, wages for every completed year of service subject to maximum of rupees — lakh.

The legislation and other steps under the directive principles of constitution include enactment of Apprenticeship Act, 1961.

Under this act it is a statutory obligation on all employers in the notified industries to engage apprentices as per ratio prescribed for the designated trades. Employment Exchanges play an important role for the job seekers. Under the Employment Exchange (Compulsory Notification of Vacancies) Act, 1969 it is obligatory on the employers to notify vacancies occurring in their establishments to the employment exchanges in their respective areas of operation before these vacancies are filled. The Central Government, Introduced in 1958 a voluntary workers education scheme to educate the Workers in trade union philosophy and methods, their rights and duties. This scheme is administrated through a tripartite semi autonomous body known as the Central Board for Workers Education. In furtherance of Article 42 of the constitution, the Factions Act, 1948 provides for health safety, welfare measures and special provisions relating to women and young persons employed in the factories. In the mining industry labour welfare funds have been set up to provide welfare facilities to the workers employed. Another labour legislation relating to the workers employed by contractors is the Contract Labour (Regulation and Abolition) Act of 1970. Under this social legislation provisions have been made for regulating employment conditions of contract labour. It also provides that wherever necessary the Government, under this act can abolish the contract labour system in certain establishment. The act provides for licensing of contractors and registration of establishments by employers employing contract labour. Article 43, provides for a living wage. In order to protect the unorganized labour and prevent exploitation the Minimum Wages Act, 1998 was enacted under this Act, the Central and the State Government can fix minimum rates of wages in certain scheduled employments. This rates may vary from state to state, area to area and from employment to employment. The minimum wage has to be paid in these scheduled employment irrespective of the capacity of the industry to pay Fair Wage is something above the minimum wage which may be nearer to the need based minimum wage. Living wage is an ideal wage and it would include all amenities which a citizen living a modern society would expect.

Social Justice

The labour legislation on India has also been interpreted in case of disputes between the employers and the employees. The Supreme Court of India, which is the highest judicial authority, has in a number of disputes cases before it gave wide ranging judgements in favour of labour. These judgements have been termed as *"Social Justice"*. A number of supreme court judgements have become a part of the accepted "Social Justice Concept in India". The Supreme Court in the case of *Rashtriya Mazdoor Sangh Vs. Apollo Hills Ltd.*, 1960, II L.L.J., 263 has held that "social justice is not based on contractual relations and is not to the enforced on the principles of contract of service. It is something outside these principles of contract of service and is invoked to do justice without a contract to back it". The concept of social justice has been further enlarged by the Supreme Court in its judgement in the case of *J.K. Cotton Spinning and Weaving Mills Co. Ltd., Vs. Labour Appellate Tribunal,* 1963, II, LLJ. 436.

The Supreme Court pronounced in this judgement "The concept of social justice is not narrow or one sided or pedantic, and is not confined to industrial adjudication alone. Its sweep is comprehensive. It is founded on the basic ideal of socio-economic equality and its aim is to assist the removal of socio economic disparities and inequalities.

It is further pronounced in this judgement that social justice endeavours to resolve the competing claims of employers and employees by finding solution which is just and fair to both the parties with the object of establishing harmony between capital and labour and good relationship. The concept of social justice is very important variable in the system of industrial relations. The philosophy social justice in India, has become an important part of industrial jurisprudence.

Industrial Relations and Technological Change

Technology is an instrument of development. It is an aid to improving the economic and social life of people. Technological changes is a continuous process which covers a series of development, mechanisation, increase in mass production. It ushers in automation. The interrelationship between technology technological change and industrial relations has been an important subject and has drawn attention of various groups in society. Those concerned with India's progressive development plans and strategies are concerned with the type of technology to import, given the balance that is necessary to maintain between generation of employment and technology. Those interested in industrial relations have been concerned with the effects of technology on labour management issues such as manpower, job security, redundancy, training. The unions and the management's in India have different views on this subject. The government has been intervening to resolve issues and give directions in national interests. Technology implies not only better and more sophisticated machines, but also related to improvement in working conditions managerial knowledge and skills.

Haber Ferman and Hudson have identified certain changes which affect jobs and influences skills in the American industrial system. These are: (i) scientific management or time and motion studies; (ii) location of plants; (iii) snifts in production demand; (iv) changes in machinery; and (vi) automation.

Rationalisation are automation which are different forms of technological change have been introduced in Indian industrial system in the sixties.

Rationalisation implies a basic change in the structure and control of industrial activity when applied it brings together the advantages of planned production pooling of research, modernisation productive process and sales, scientific and technical know how, centralised regulation of finance, optimum utilisation of manpower. The advisory committee on management ILO defines it as any reform tending to replace habitual antiquated practices by means of methods used by systematic reasoning.

Automation is another form of technological change. Some say it is the highest form of mechanisation. In automation, technology itself controls operations. At the highest level of mechanisation, i.e., automation, the machine provides data, form its own operations and feeds if back to its own controls which govern the production process.

The introduction of computers in industry and commerce has great impact on the labour management relations in India. When programmed carefully a computer produces correct answer instantaneously. The ability of computers to deal speedily with information *i.e.,* calculation and retrieval makes their use in industry and business imperative. The use of computers has become inevitable because of the results it produces. It has revolutionised the management of enterprises.

Employee Response to Technological Changes

The initial responses of employees towards automation and rationalisation was mixed with suspicion and fear. They were apprehensive about security of their jobs redundancy, and retraining difficulties and future careers. New technology has changed the concept of work. It relieves the employees of the boredom of repetitive jobs makes work easy and safe. The attitude of employee unions has differed from organisation to organisation. The unions attitude was to: (1) prevent the introduction of automation and rationalisation; (2) slow down the introduction of change; (3)

agree to cooperate in the change planned on certain conditions; (4) Expedite the change. The responses are classified as: (i) obstruction, (ii) competition, (iii) control. If changes bring benefits to their members such as higher pay, promotional chances the unions tend to cooprate in introduction of such a change. Unions oppose such changes when applied new technology would reduce employment or poorer working conditions, reduction in their anticipated earning.

Impact of Rationalisation and Automation India

The need for rationalisation in India, was felt to enable increase the efficiency in highly competitive world market. In order to boost up the export market, the cotton textiles, jute industries introduced rationalisation. It was also introduced in the Coal Industry. The National Commission on Labour in India reviewed the progress of rationalisation in the above three industries. Each industry had its problems and adjustments but all had a common feature in that the pace of rationalisation was regulated to minimise the adverse effects on labour employed by these industries.

In cotton textile industry rationalisation was introduced as early as 1928 in one of the mills at Bombay. This was introduced unilaterally but the workers accepted it. In Ahmedabad textile industry an agreement was arrived at between employers and the employees representatives embodying certain safeguards on rationalisation. Although, rationalisation was introduced as a measure to improve efficiency the labour complained of additional strain and inadequate increase in their earnings.

In the beginning, though rationalisation was introduced by mutual agreement, it made progress in several units but as a whole it was rather slow in the industry as a whole.

However, how, due to change in attitudes of management and unions there is increasing acceptance of the schemes of rationalisation.

In the Jute Industry nationalisation was introduced after the Second World War as need to meet international competition. The progress made in this industry even after rationalisation was slow and foreign exchange earnings due to exports were not satisfactory.

In the Coal Industry, though rationalisation was introduced in larger mines old methods are used even now in smaller mines. However, after the formation of the National Coal Development Corporation (NCDC) sophisticated mechanisation is being gradually introduced. The Indian Industry in towards automation as a part of the processes of modernisation in industry. Automation in new process industries and in manufacturing industries did not meet with much opposition from unions. But the introduction computers particularly for office work evoked serious misgivings among the employees.

The central trade union organisations opposed computerisation on the ground that it would result in loss of employment and it would be costly. The employees on the other hard supported the move, because it would lead to accelerated industrialisation increased productivity and higher standard of living for people. In the year 1966 and 1967 the issue of introduction of computers in office work was discussed in 24th and 26th session of the Indian Labour Conference. No conclusions were reached. It evoked sharps controversies and opposition by unions to the introduction of computers continued. The Government of India convened a special meeting of the Standing Labour Committee (SLC) in 1968 to consider the impact of automation and recommend remedial measures. The representatives of employees and workers of the State Bank of India, Life Insurance Corporation of India, Railways and the Oil companies were invited to this meeting. It was suggested that tripartite sub-committee be constituted at the centre to lay down policy guidelines for the introduction of automation. The deliberations of this committee were not conclusive. It was decided that existing procedure for screening of programs for import of computers would continue. The government continued to allow automation on selective basis. In consequence of the suggestioned made at SLC meeting in 1968, the committee on automation consisting of 10 members was set up in July 1969 by the Ministry of Labour, Employment and Rehabilitation. The committee after examining the impact of computers on various private and public sector undertakings, recommended that installation of computers were to be governed by two criteria namely, (i) the effect on employment in relation to the whole economy and (ii) the effect on employment in the relevant departments of these establishments. It also recommended that introduction of computers should subjected to a prior agreement with the workers. The committee also developed different procedures for the use of computers by commercial and industrial establishments, for those utilising approved computer centres, for establishments desiring to have in house computers.

In Jan, 1983 the Government of India came out with a "Technology Policy Statement" (TPS). One of the objectives of TPS is to provide maximum gainful and satisfying employment to all strata of society with emphasis on the employment of women and weaker sections of society. Para 2.1 (b) of the TPS further states that measures will be taken for identification and diffusion of technologist that can progressively reduce the incidence of poverty and unemployment and of regional inequalities. The application of science and technology for the improvement of standards of living of those engaged in traditional activities is to be promoted, particularly household technologies". Para 3.2 of the TPS states the "In the decentralised sector labour must be diversified and all steps taken to reduce drudgery. In all sectors, the potential impact on employment will be important criteria in the choice of technology".

The Government of India, in the Seventh Plan has stressed the need to accelerate process of modernisation through adaptation of approved technology. While there is an immediate need for technological upgradation of our industries the important point to consider is how this can be introduced without causing a turbulence in our industrial relations environment of today. In ensuring technological updation and consequential improvement in productivity various parties e.g., Employers, unions, employees and the government have significant role to play. It is for the government to appoint from time to time a tripartite body to coordinate actions related to technological updation. The concern of for such a body will be to: (1) Recommend adoption of appropriate technology considering business condition as well as financial social and political atmosphere in the respective companies. (2) Take steps to dispel fears in the minds of employees of the ill effect of modernisation. (3) Creation of awareness and preparedness for it. (4) Making the process less traumatic than it is made out to be. (5) Retraining of employees and relocating surplus manpower. (6) Formulation of voluntary separation scheme which is beneficial for everyone concerned.

In our country one of the growing problem is large scale unemployment and under employment. In such a situation installation of automatic machines creates serious problems of unemployment. In this connection NCL (1969) felt that employment for any level of output decline with automation. It recommended that in application of advanced techniques of production adequate care should be taken to see that the traditional labour intensive sector which provides employment to a large labour force continue to exist. It also adds that introduction of advanced technology should be gradual and done in consultation with workers representatives and any scheme of automation should satisfy the following conditions *(i)* accommodates all labour that may be rendered surplus, *(ii)* it result in higher productivity and efficiency, *(iii)* it improves the level of earnings of workers by ensuring them and equitable share in the gains due to automation, and *(iv)* it leads to reduction in costs and benefits the community.

Technology is an instrument for improvement of the economic and social life of people. However, one should examine on one hand the cost benefit analysis of technological change from economic point of view but also take into account its repercussions on industrial relations.

Introduction of new technologies, training and retraining of workers and providing them opportunities for employment in different sectors of the economy in India are possible. Such change will help in raising living standards of people in this country. Even if a reasonable increase in living standards is to be achieved there is a need not only for utilisation of latest technologies but also more workers in different sectors of economy.

This will necessite working out plans, policies, and programmes which will have to be implemented gradually.

Personnel and industrial relations managers will have to carefully evolve a strategy in introduction of technological change, which would be acceptable to the worker's and a the same time be concerned with the viability of the enterprise.

Industrial Relations and Human Resources Development

Industrial Relations, in a democratic society has been one of the delicate and complex problem in which the employees, their organisations, employees and their collective associations i.e., unions, the state and its agencies interact to evolve procedural and substantive policies, instruments in order to regulate the employer—employee relationship, to manage, conflicts that arise in their inter action in running of industrial organisation Dale Yoder defines it as "whole field of relationship that exists because of the necessary collaboration of men and women in the employment process of an industry."

We had also seen that in this book the term "industrial relations" command denotes "employee employer" relationship in both organised and unorganised sectors of the economy.

A few notable features pertaining to industrial relations are:

(1) The industrial relations do not emerge in vacuum, they are born out of employment relationship in industrial setting.

(2) Industrial relations are characterised by both co-operation and conflict. This is basis of the adverse relationship. The focus, therefore, is study of attitudes, relationship, practices procedures developed by the contending parties, to resolve or at least minimise the conflicts.

(3) The study of industrial relations also include vital environmental factors like technology of workplace, countries socio-economic and political environment, nation's labour policy, attitude of trade unions, workers and employers.

(4) In involves study of the laws, rules and regulations, agreements awards of courts, customs, traditions and the policy frame work laid down by the Government eliciting co-operation between labour and management.

The evolution of the industrial relations system in India was greatly influenced by the state which played important role by passing protective labour legislation prior to independence and after independence. The government in India was committed to benefit the citizen and it provided number of policy guidelines both in the form of constitution of India, Articles 16, 19, 24, 38, 39, 41, 42, 43.

Since the industrial relation system involves the workers their associates and the government these two constituents viz., workers unions and the government cannot separated from the political influence in the country. The strength of a political party decides the formation of the democratic governments. From the earlier days, the political parties did influences the workers and their associations The workers as under have great power to decide to some of issues by voting for the political parties of their choice. The elected government in turn can act in benevolent manner to some extent towards the workers.

Between closing collective bargaining or adjudication for resolving their conflicts with the employers, the unions because of their weakness had to depend on the compulsory adjudication for getting their demands settled. The collective bargaining process remained weak in India for various reasons, the important being weak unions due to intra or inter union rivalries and multiplicity of unions.

After independence, the Indian government followed a socialist policy with stress on mixed economy i.e. both private and state owned enterprises were encouraged but were regulated with licences and controls. Though the government did not want the terms and conditions of employment to favour any particular group, in industry as, was the case in developed countries. In order to being greater equity and harmony in industrial relations, the government played an active role by enacting various labour protective, Labour Laws in the interest of the weak labour class, which was open for exploitation by the employees. It also instituted tripartite labour conferences and ratifying conventions of the International Labour Organisation (ILO). This encouraged the dependency of the labour on the government which was only too willing to take on the role of an arbiter in labour-management disputes and gain political leverage.

The post independence employers associations and trade unions were not strong and were divided on the basis of political party loyalties. Both lacked the unity and cohesion necessary to further their collective strengths and pursue respective interests. The government is unable to formulate a comprehensive labour policy, amend the existing labour laws because of the divergence of views, absence of united approach on the part of associations and unions. The trade unions have become very politicised and power hungry bodies of all the political parties promote their own unions to create vote banks and have their own influence among the working classes. Due to different political affiliations each industrial unit has multiplicity of unions which leads to conflict and rivalry among them. Backed by political patronage the unions had resorted to coercion and violent methods. Militancy by unions had adverse effects on the industrial units and many units were forced to close their operations. Some employers relocated their unit in some other states whose military has not taken roots.

The period (1947 -1991) before liberation was introduced witnessed an econom ic policy which was inward working regulated, monopolistic and non-competitive. The government followed a short sighted policy in the home of self reliance and not allowing other progressive and technically developed countries to step in India both in the manufacturing and services sector India had actively discouraged foreign investments in its capital market to protect domestic industries. It had also denied to itself the availability of foreign capital, technology, markets to internationally developed nations. However, with change of Governments policy after 1991, which enabled:

(1) the Indian economy to integrate with the world economy, (2) at national level the policy allowed decontrolled business, free market forces, deregulated its licensing policy and. The reform process included permitting foreign capital investments importing world class technology, encourage investments in infrastructure, reduced tariffs and reformed tax structure. The new economic policy opened up the economy to a greater degree of international participation and investments.

In this changed scenario the government also had to change its approach towards Human Resources.

In India the conflcit between Labour and capital had formed the basis of unionisation. The unions demanded protection of labour against capital. The availability of new technology, including information technology, competition, the introduction of automation has affected the employees. The employers have decided to rationalise operations, introduce, highly skilled work force, reduce surplus and excess employees. These steps have adverse affected the employees and their unions. The government, in its own public sector units allowed reduction of staff and labour by introduction of the voluntary retirements schemes.

In the pre-libralisation period, the Indian Labour Policy focussed on the protection of existing roles which led to inefficient labour force. In the post liberalisation period there will pressure on the unions to improve efficiency productivity and upgradation of skills and willingness to accept separation of labour and staff not required due to downsizing of operations due to various reasons. The unionious and employees have to realise, accept and co-operate in accepting various schemes related to upgradation of skills, use of new technology and consequential reduction of staff and workers, retraining, of the remaining employees.

The above changes in the Government policy in the past liberalisation period has brought to fore front the necessity to any reorganise the management of human resources. A new approach of resolving conflicts in a co-operative manner by allowing participation by workers, mutual negotiations, improving the trust levels between the employer and employees and introducing mutually acceptable evaluation systems, rework compensation reward system, new techniques of productivity mutual efforts for survival, growth in the fierce competitive environments are the needs of the time. The era of Labour Management Conflicts, trial of strength, lockouts, clauses, strikes, militancy, violence have to give way to mutual trust, and encouraging nurturing a new relationship of partnership for survival, growth and improving productivity levels to remain in the market have to be accepted both by the employers and the employees and their unions. It is a challenge to change the attitude and actions of confrontation and evolve anew approach of mutual trust, dependence, for prosperity of the industry and the nation. The Human Resources Management will and is gradually changing its philosophy, techniques and practices. It is noticed that HRD occupies centre stage in the corporate policy and philosophy with the above shift in management of human resources.

The central theme in the HRD approach is the development of the individual. The emphasis has shifted from "*maximization of performance*" and compensation towards Employee Political awareness creation and employee potential realization.

The employers and now giving more attention on increasing employee involvement (participation, empowerment) in achieving organisation's objectives.

While the term "Personnel function" is associated with prescriptive, critical evaluative, punitive approaches the term "Human Resources Development" (HRD) function is associated with positive, dynamic development orientation.

The HRD approach holds the view that human resources through their willing efforts to achieve the organisations objective are assets and decide the destiny of the organisation. The employees are no longer logs in the wheel of the organisation, but are active agents shaping their own future and future of the organisation. The HRD approach is proactive rather than a reactive. It h&s visionary stance rather than a fire fighting. It believes in developmental actions tath^es than procedural bound approach.

The study of HRD, Philosophy practices clearly demonstrate that this approach is quite opposite to the reality of industrial relations approach. The IR approach believes in enforcement of rules, regulations, grievances, discipline, enquires, sanctions, unions, disputes, negotiations, litigation, slogans, strikes, go slow, gheraos, mandays lost, wage loss, production loss, damage, isolevence, terror despair, despondency.

On the other hand the HRD philosophy distances itself from the Industrial Relations Philosophy. The HRD Philosophy postulates:

(1) An employee is an individual having his own vision, desire, ambition.

(2) He is amenable to "developmental" and virtures.

(3) It is possible for an organisation to establish a direct relationship and rapport with him who is generally satisfied with the organisation.

(4) The organisation is the sole custodian of the individuals' growth and development.

(5) The relationship of the organisation and the individual is homogenous, homogenous, stable and cohesive.

The evolution of industrial relations system is based on certain postulate such as:

(1) The employer-employee relationship is adversarial.

(2) Each of them struggle to get control over the work processes and economic gains.

(3) The relationship is politicised.

(4) The relationship is conflcit ridden.

(5) The relationship is conditioned by legislative enactments, executive authority and judicial pronouncements.

The above postulates are given in the Indian context of Industrial Relations system as it has evolved over years. The question we have to consider is "to what extent are the assumptions of the HRD approach valid and under the existing system and players like the employee unions the Government and its operating agencies, what constituents of the HRD approach can be adopted in the Industrial Relation System. The assumptions of HRD concept are subject of debate, and have to be carefully adopted in view of the fact that the industrial relations are subject to employer-employee relationship which have emerged in India, as contractual, legalistic, political, combative.

It is also noticed that in view of the above conditions existing, many HRD practitioner or for that matter the companies, organisations, generally practice the HRD concepts at the Managerial, supervisory level only. In a few exceptional cases where the unions have willings co-operated, some of these concepts are also applied at the worker level.

Though the HRD concept is certainly dynamic and having a greate potential to bring a qualitative change in the organisations, unless the employees unions willingly agree to co-operate in implementing these, it is doubtful whether the concept can be fully applied at the workers level.

However, it will take some time for the unions, who have a role play, to understand and agree to at least some of the concepts, instruments of introducing HRD practices. The relationship showed gratually change from reactive to proactive. Organisations would prefer to have an integrated approach to human resources management and development.

It would be advisable to consider the applications of HRD concepts, prescriptions to individual, groups and organised entities i.e., at all levels of the organisation and after a dialogue with employees representative. This process may take longer time to introduce and apply HRD interventions but, it will be much easier to apply these with the support of the employees representatives and unions.

Historically industrial relations in this country have been stoped by a dependency syndrome as the unions and employers have been depending on the dispute resolution machinery under the Government agencies and the judiciary currently the industrial relations are being treated in a reactive or which is known as fire fighting approach. Since the HRD approach is proactive, its practise as suggested above with the support of the employees representative and the unions, should be able to help in changing the IR scenario. The focus of HRD approach being developmental it would be possible to orient the reactive relationship to proactive relationship, by adopting a bilateral mutually acceptable dialogue and keep away from the dependency syndrome. The employers and employees should adopt a strategy which would permit employees to have

(1) their unions, (2) the unions should have access to corporate information. (3) employer should recognise the unions and their right to go on strike, (4) employees and unions should be permitted and involved in the development of the organisation. increase productivity and the allowed to participate in matters concerning their welfare future, progress.

It would also be necessary for the employers to allow employees and unions, by bilateral agreements to have stakes in ownership of the organisation and sharing power in the organisation. HRD process and interventions, demand democratisation process.

The bilateral arrangements based on HRD approach postulates that the parties should agree for (1) Human Resources Planning for better performance; (2) Training and Development for improving performance, future growth of human resources; and (3) Appropriate compensation, reward, recognise systems to encourage better performance by employees.

The above three interrelated systems of HRD would certainly bring in a collaborative spirit in an atmosphere of mutual trust, progress and welfare.

The three important constituents of the Indian IR system have to play an important role to support the HRD approach and interventions. The government will have to modify and amend labour legislation, in the light of its new economic policy of liberalisation, the employers will have to accept the fact that they would need their employees commitment, performances co-operation in the progress of the organisation. The employers would therefore, will have to create conditions and working atmosphere whose the employees are treated as contributors to the productivity and other organisational objectives and should feel confident and participate in achieving these objectives.

The employees and their unions shall have to realise that unless they improve their attitudes, performance and extend whole hearted co-operation in achieving the goals and objectives of the organisation, their future will be uncertain in the changed circumstances.

Role of Human Resource Management

What is the role of the human resource manager in industrial relations? The answer is obvious. If an organisation has a motivated, competent and trouble free workforce, the credit partly must go to the human resource department. The blame goes to the same department if the opposite occurs. Through better recruitment and hiring, induction, training and development, safety and health, remuneration, welfare, communication channels and other practices, the human resource department can contribute to quality of work life (QWL) of the employees. Quality of work life, refers to fair remuneration, safe and healthy environment, opportunities for growth, and the like. Better quality of life leads to motivation and satisfaction. Motivated and satisfied employees have no reason to indulge in strikes or *gheraos.*

Summary

Industrial relations is concerned with the relationship between the management and workers and the role of regulatory mechanism in resolving any dispute. Industrial relations is significant as it has impact on productivity and has ethical dimensions.

Employers, employees, their respective associations, government and judiciary are the parties which have stakes in industrial relations.

Employees perceive industrial relations as a method to improve their conditions of employment, to voice any grievances, to exchange views and ideas with management, and to share in decision making.

Trade unions look to industrial relations in order to secure improved terms and conditions of employment and to obtain improved status for the workers in their work.

Employers have economic power in their hands and use it to affect worker's destiny. They understand industrial relations as a means to motivate workers and to sustain their commitment to work.

The role of employers' associations is relevant in as much as they represent employers in collective bargaining and develop machinery lor avoidance or settlement of disputes.

The government seeks to protect the interests of both employers as well as employees. Towards this end, it has constituted wage boards, labour courts, tribunals, and enacted a series of labour acts.

The judiciary is relevant as it has the authority to settle any dispute and to review any legislation, particularly when it is against the Constitutional provisions.

Managers have been adopting reactive strategies towards industrial relations. In the changed scenario, there is need for proactive strategy. A proactive strategy involves decision on communication of company philosophy, developing relationships with employees and unions; developing competence of managers and supervisors; and ways of dealing with a conflict as and when it occurs.

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Chapter 11
Industrial Unrest

Changing Scenario of Industrial Unrest

With a view to getting a better understanding of the present industrial relations scene in India, it is desirable to consider the historical picture of industrial unrest in the country.

According to the Royal Commission on Labour, "before 1918, strikes were rare." This does not mean that workers had no grudge or complaint against their employers or were quite satisfied with their work environment. But since practically the entire, labour class was illiterate, ignorant of its rights and suffered from class-consciousness and since there was no organisation among them, they could not fully express their grievances/ complaints. Hence there were no signs of industrial unrest.

We shall now discuss the growth and developing industrial unrest under the following heads.

(1) The period of early twenties.

(2) The period from 1930-1939.

(3) Second World War period, 1939-1945.

(4) Period after Independence, 1947-1974.

(5) Emergency and after, 1975-1994.

(1) The Period of Early Twenties

Isolated disputes took place in India as early as the eighties of the last century; but there is hardly any record of these. It was not until 1918 that they became a serious feature of the Indian industrial system. Before the war however, strikes were infrequent, for the workers lacked organisation, had an entirely passive outlook of life, and regarded a return to their village homes the only solace for the hardship of industrial work. Since the war, and especially at the end of it, relations between workers and their employers became increasingly strained, and disputes between them became much more common owing to the growth of trade unionism, the rise of labour leaders, the awakening among the masses brought about by the war, and the nationalist movement During the war, a considerable number of strikes proved successful, because employers, eager to make the most of the opportunities that then existed for earning large profits, dreaded any prospects of stoppage of work, and were, therefore, often willing to give in to the demands of thier workers. But when the trade boom came to an end, large profits, disappeared, and when a period of economic depression set in, employers began to resist the demands of their workers, as a result of which nearly two-thirds of the strikes failed. The main cause was the realisation of the potentialities of strike in the existing situation and this was assisted by the emergence of trade union organisers, by the education which the war had given to the masses, and by a scarcity of labour arising from the expansion of industry and aggravated by the great epidemics of influenza."[1]

The Industrial Disputes Enquiry Committee (1921), appointed by the Government of Bombay, mentioned the following as the chief characteristics of Bombay strikes;

(i) The frequent strikes without notice;

(ii) The lack of clearly defined grievances before resort to strikes;

(iii) The multiplicity of demands brought forward after the commencement of strikes;

(iv) The lack of effective organisations to give shape to the demands of the workers and to secure their compliance with any settlement that may be arrived at;

(v) The growing cohesion among employers and workers; and

(vi) The ability of the latter to continue strikes for prolonged periods even though there was no visible organisation.

Of the strikes which have occurred since the first post-war period, one of the most serious was in the cotton industry in Bombay city in 1924; it involved over 1,60,000 workers and caused a loss of 7.75 million working days. The immediate cause of the trouble was the decision of the Mill owners' Association to withhold the annual bonus, which had been granted for 5 years and which had become a part of the wages of workers.

The other most serious strike was at Ahmedabad by the textile workers, affecting 56 out of 61 working mills, involving nearly 45,000 workers, and a loss in working days of nearly two and a half million, though the workers were unable to prevent a wage cut, the compromise effected was to limit the reduction to 15-4/5 per cent against the millioners' original proposal of 20 per cent.

In 1925 industrial discontent manifested itself in renewed activity especially among the textile workers of Bombay and the railway and jute workers in Bengal. The years 1926 and 1927 were comparatively quiet, partly because of a slight revival in trade and partly also because of realisation on the part of the workers that prolonged strikes were not always helpful to their own interests. Thus, between 1921 and 1926, there were over 1,100 strikes in India, involving about two million workers and causing a loss of over 37 million working days. In 1928, there was a fresh spate of disputes — only 203; but the loss in working days was the staggering figure of 31.5 million. The textile workers in Bombay, who had recovered their morale after 2 years of comparative quiet, declared a general strike as a protest against the decision of the employers to introduce schemes of rationalisation of work. Strikes also took place in the iron and steel works at Jamshedpur and in several railway companies. Some of the strikes were of unduly long duration. A notable feature of the strike in textile industry in 1928 was that workers resorted to violence for the first time.

In 1929, a general strike in Bombay textile mills lasted 6 months. Another important strike during the year was in the Bengal Jute Mills, resulting in a loss of nearly 3 million working days. The cause of the strike, which lasted for 11 weeks, was the decision of the employers to increase the working hours from 55 to 60 a week. Between 1921 and 1929, on an average, there were 194 strikes, involving 364,112 workers and a loss of 9,360,939 mandays.

An idea of loss to the community which accrued from these strikes can be had from Table 11.1

Table 11.1

Year	No. of Stoppages	No. of Workers Involved (in '000)	No. of Working Days Lost (in lakhs)
1921	396	600.3	69.8
1922	278	435.4	39.7
1923	213	301.0	50.5
1924	133	312.4	87.3
1925	134	270.4	125.8
1926	128	186.8	10.9
1927	129	131.6	20.2
1928	203	506.8	316.5
1929	141	531.0	121.6

Strikes in the twenties were mainly due to:

(i) The demand of workers for a share in the prosperity of the industry during the early boom period; and

(ii) Resistance to reduction in wages during the retrogression of the boom. Politicians and labour leaders took keen interest in the management of these disputes.

(2) Period from 1930-1939

Because of the split in trade union leadership, and the appointment of Royal Commission on Labour, the vigorous repression by the executive which made no distinction between the political and the labour movement, and the deepening of the economic crisis, there was pronounced decline in labour disputes in the next few years. This is evident from Table 11.2

Table 11.2

Year	No. of Stoppages	No. of Workers Involved (in '000)	No. of Working Days Lost (in lakhs)
1930	148	196.3	22.6
1931	166	203.0	24.1
1932	118	128.0	19.2
1933	146	164.9	21.7
1934	156	220.8	47.7
1935	145	114.2	9.7
1936	157	169.0	23.6
1937	379	647.8	89.6
1938	399	401.0	91.6
1939	406	409.1	49.9

During the period of the depression, 46 per cent of these disputes resulted in some concession or benefits to the workers involved. In 1938, the number of strikes rose to 399, mainly because of the disputes in the textile industry, involving 401,075 workers and a loss of 9.2 million mandays.

It is noteworthy that though the number of disputes during 1930-39 had increased to an average of 222 from 195 for the years between 1921 and 1929, the average for the number of workers involved and the loss of mandays was lower. In other words, the frequency of disputes had increased during 1930-1939. On an average, there were 222 strikes, involving 265,427 workers and a loss of 4,004,209 mandays.

The Kanpur continued to be storm centre in 1937, 1938 and 1939 where, besides strikes in individual mills, a general strike also took place. Bengal, Bombay and Madhya Pradesh were the other States which were profoundly affected by the strike activities.

(3) Second World War Period 1939-1946

With the commencement of World War II, prices began to soar and the cost of living of the workers made a quantum leap. The resulting restlessness generated a demand for dearness allowance for workers all over the country. Later when industrialists made huge profits, the demand for participation in the war profits in the form of bonus was made. When it was rejected, there were strikes. In 1939, there were 406 stoppages affecting more than 4 lakh persons; and there was a loss of nearly five million mandays. Thereafter, till 1945, the number of strikes declined, for provisions were for the compulsory settlement of industrial dispute by mean of adjudication. Out of a total of 820 disputes in 1945 231 cotton silk and woollen mills and 103 in the engineering industry- The highest number was in Bombay (310), followed by Bengal (217) and M.P. (102).

The total number of strikes during 1939-1945 were 4,000, involving 37 lakhs workers and, the mandays lost during this period was 31.5 million.

During the war period, the government framed two ordinances — one the Defence of India Rules which empowered it to prohibit strikes and lockouts and compel employers and workers to observe certain terms and conditions of service. Another issued in 1942 prohibited a person in any undertaking from going on a strike without giving 15 days' notice. The government also took power to regulate wages and terms and conditions of employment in certain essential services. Following these measures, there was comparative peace in industry.

Table 11.3

Year	No. of Disputes	No. of Workers Involved	No. of Working Days Lost (in lakhs)
1940	322	452,539	75.7
1941	359	291,054	33.3
1942	694	772,653	57.7
1943	716	525,088	23.4
1944	658	550,015	34.4
1945	820	747,530	40.5
1946	1,629	19,61,948	127.1
1947	1,811	18,40,748	165.6

After the war, the years 1946 and 1947 were the most notorious years in the history of industrial disputes. The total number of disputes was 1,629 in 1946 and 1,811 in 1947 as compared to 820 in 1945. The number of workers involved also rose from 747,530 in 1945 to 1,261,948 in 1946 and to 1,840,784 in 1947; and the number of mandays lost increased from nearly 4 million in 1945 to 12.7 million in 1946 and to 16.6 million in 1947. In other words, there was in increase of 98.7 per cent over the 1943 figure in the number of strikes; a 162.5 per cent increase in the number of workers involved and a 21.7 per cent increase in the total number of mandays lost. Of the industries affected, cotton, woollen and silk mills, accounted for the largest number of disputes, followed by the engineering industry (8.2 per cent), jute mills, railways and mines, etc. As the regional distribution of disputes, Bombay accounted for the largest number of disputes (542), followed by Bengal (369), Madhya Pradesh (137) and U.P. (108).

The demands for higher wages and bonus were the main causes of disputes, the percentage being 32 and 10.2 per cent respectively. There were 5.2 per cent disputes over leave and conditions of work and 19.5 per cent over personnel factors.

(4)Period After Independence 1947-1974

The industrial unrest was at its peak in 1947, when 16.5 million mandays were lost in 1,811 disputes. The main causes for this labour unrest were:

(i) The overwhelming feeling of "Independence" in the minds of workers as a sequel to the transfer of power to the national government;

(ii) The tall promises made by the Indian National Congress prior to the general elections in 1945, to bring about radical changes in the workers' wages and conditions of work.

(iii) The continual rise in the cost of living, even after end of the war, for wages lagged far behind the rising prices. (Though the general index number of wholesale prices increased from 245 in 1945-46 to 275 in 1946-47 and 307 in 1947-48, the wages did not rise proportionately);

(iv) The growing communistic influence over the workers;

(v) The fear of retrenchment and consequent unemployment in the post-war period;

(vi) Misdirected labour leadership; and

(vii) Employer's apathy to, and the states' dilatoriness in dealing with labour problems.

In 1947, the industries seriously affected were cotton, jute, woollen and silk textiles, engineering and railways. In 1948, there were 1,259 disputes resulting in work stoppages, involving 1,059.102 workers and a loss of 7.8 million mandays.

Table 11.4

Industrial Disputes in India (1950-1996)

Year	No. of Disputes	Workers Involved	Mandays Lost
1950	814	7,19,833	12,806,704
1951	1,071	6,91,321	38,18,928
1956	1,203	7,15,130	69,92,040
1960	1,583	9,86,268	65,36,517
1961	1,357	5,11,860	49,18,755
1966	2,556	14,10,056	13,846,329
1971	2,752	1,38,937	16,545,636
1975	1,943	10,32,609	21,900,891
1976	1,308	1,18,73,731	12,745,735
1980	2,856	19,00,333	21,925,026
1981	2,589	15,88,004	36,583,564
1987	1,799	17,69,877	35,358,372
1988	1,745	11,91,033	33,946,925
1989	1,786	13,64,000	32,663,000
1990	1,825	13,08,000	24,086,000
1991	1,810	13,42,022	26,428,090
1992	1,714	12,52,000	31,26,000
1993	1,393	9,54,000	20,301,000
1994	1,201	8,46,429	20,983,082
1995	1,066	9,90,700	16,290,000
1996	611	4,52,000	11,500,000

Source: Various issues of the Hand Book of Labour Statistics and Annual Report, Ministry of Labour 1996-97. The situation however, improved gradually during the next few years, following the various measures taken by the government. The year 1949 was however a year

Table 11.5

Disputes by Strikes, Lockouts and Gheraos (1961-1996)

	1961	1966	1971	1975	1976	1987	1988	1989	1990	1991	1992	1973	1994	1995	1996
Strikes															
Number	1240	2353	2478	1644	1241	1348	1304	1397	1459	1278	011	914	808	732	353
Workers involved('000)	432	1262	1476	1033	550	1495	—	1158	1162	872	7670	6720	6260	5830	202
Mandays Lost ('000)	2962	10377	11308	16706	2799	14026	12530	10695	10640	12428	5130	56100	6651	5720	3527
Lockouts															
Numbers	117	203	24	299	218	451	441	389	366	532	703	479	393	334	258
Workers involved('000)	80	148	139	111	186	275	—	206	146	470	485	282	220	307	250
Mandays Lost ('000)	9950	3469	4743	5159	9947	21332	21417	21968	13446	14000	16130	14690	14332	0570	7973
Gheraos															
Number	82	6	41	34	9	4	—	1	—	4	1	—	3	1	1
Workers involved	—	—	12	8	4	1	—	@	@	6	@	—	1		
('000)	(1967)	(1968)													
Mandays Lost ('000)	—		10	6			—	@	—	3	@	—	4	—	—

Source: Various Issues of the Hand Book of Labour Statistics and Annual Report, Ministry of Labour 1994-95 (P) Provisional

Table 11.6

Disputes by Strikes, Lockouts and Gheraos (1961-1996)

	1961	1966	1971	1975	1976	1987	1988	1989	1990	1991	1992	1.793	1994	1995	1996
Strikes Number	1240	2353	2478	1644	1241	1348	1304	1397	1459	1278	1011	914	808	732	353
Workers involved ('000)	432	1262	1476	1033	550	1495	—	1158	1162	872	7670	6750	6260	6830	202
Madays Lost ('000)	2962	10377	11308	6706	2799	14026	12530	10695	10640	12428	15130	561C!0	6651	5720	3527
Lockoutts															
Number	117	203	24	299	218	451	441	389	366	532	703	4;9	393	334	258
Workers involved ('000)	80	148	139	111	186	275	—	206	146	470	485	2fl2	220	307	250
Mandays Lost ('000)	9950	3469	4743	5159	9947 2	1332	21417	21968	13446	14000	16130	1469O	14332	10570	7973
Number	82	6	41	34	9	4	_	1	_	4	1	_	3	1	1
Gheraos															
Workers involved (00)	(1967)	1968)	12	8	4	1	—	@	@	6	@	.	1	—	—
mandays Lost ('000)	—	—	10	6	—	—	—	@	—	3	@	—	4	—	—

Source: Various Issues of the Hand Book of Labour Statistics and Annual Report, Ministry of Labour 1994-95 (P) Provisional

of intense labour unrest in the railways and posts and telegraphs. In 1950, the number of disputes were much less (only 814); but the number of workers involved was 7 lakhs and mandays lost were 12.8 million. This was due to the general strike in the Bombay textile mills (which started on 14th August 1950, and continued till October 17,1950). This strike accounted for the loss of 94 lakh mandays. The loss of 3,818,928 mandays, recorded in 1951, was however, the lowest in the post-war period. This marked improvement in the situation was maintained in the next few years.

During this period, the cotton textile industry suffered the most; while considerable deterioration took place in the jute mills and transport industries. Between 1954 and 1957, the number of stoppages increased from 840 to 1,630; the number of workers involved from 477,138 to 899,371; and the number of mandays lost from 33,72,630 to 64,29,319.

The Code of Discipline was evolved in 1958 therefore, during 1958-1960, the number of strikes declined. But the number of mandays lost increased from 49,18,755 in 1961 to 61,20,576 in 1962. During this period, the number of stoppages increased from 1,357 to 1,491. In 1962, the Industrial Truce Resolution was adopted which led to a decline in the number of stoppages to 1,471 and the mandays lost to 32,68,524 in 1963. But soon, the resolution lost its effectiveness, so that, in 1964, the number of stoppages increased to 2,151 and that of mandays lost to 7,724 lakhs. In 1965, the number of disputes were 1,835 and the number of mandays lost were 64.6 lakhs. This slight fall in the number of disputes and the number of mandays lost was due to the emergency arising out of Pakistani aggression. The number of disputes and mandays lost in 1966 were 2,556 and 138.5 lakhs respectively. This increased to 2,815 and 171.5 lakhs respectively in 1967. The number of disputes declined to 2,776 in 1968 and then to 2,627 in 1969: but the number of mandays lost increased from 17,244 lakhs to 190.5 lakhs. During this period, the increase in the number of disputes had been mainly due to a sharp rise in prices and recession in some industries, which led to retrenchment, lay-off and closure. In the later years, the industrial relations climate further deteriorated, when the workers resorted to "gheraos" and "bandh". The number of industrial disputes rose from 2,889 in 1970, involving 2.76 lakh workers with a loss of 20.561 lakh mandays, to 3,370 disputes in 1973, involving 23.58 lakh workers with a loss of 20.62 lakh mandays. In 1974, though there were 2,938 disputes, which involved 27.09 lakh workers and occasioned a loss of 40.26 lakh mandays.

(5) Emergency and After 1975-1994

The period of the emergency (1975-1977) was marked by a declining trend in industrial conflicts in terms of the number of disputes, the number of workers involved and the number of mandays lost. The number of disputes declined from 2,938 in 1974 to 1,943 in 1975 and to 1,459 in 1976, showing a decline of 26.68 per cent to 24.79 per cent respectively. As regards the number of workers involved, it was in 1975, only 10.32 lakhs and 5.5 lakhs in 1976. The number of mandays lost also declined from 21.9 lakhs to 12.7 lakhs during the period. It appears that during the emergency, the drift toward increasing industrial conflict has been arrested and the process reversed. But the industrial relations climate was not smooth or trouble-free. Although workers had refrained from resorting to work-stoppages, employers did not hesitate to declare lockouts. More mandays were lost because of lockouts than strikes (See Table 11.7)

Table 11.7
Mandays Lost Due to Strikes and Lockouts (1975-1996)

Year	*Strikes (in '000)*	*Lockouts (in '000)*
1975	33,643	6,618
1976	2,779	9,947
1980	21,925	94,907
1986	18,824	13,925
1987	14,026	21,332
1988	12,530	21,417
1989	10,695	21,968
1990	10,640	13,446
1991	12,430	14,000
1992	15,130	16,130
1993	5,610	14,690
1994	6,651	14,330
1995	5,720	10,570
1996 (P)	3,530	7,970

Source: Various issues of the Hand Book of Labour Statistics and Annual Report, Ministry of Labour 1995.

The post-emergency industrial relations scene projects an altogether reverse trend. It has been characterised by a marked deterioration in the situation: and the worst hit States have been West Bengal and Maharashtra. The phenomenon is generally interpreted as an outburst of the rigours and excesses suffered by the workers in the emergency period. The boom in industrial unrest is described as the "letting off of some steam." The workers' discontent piled up during the emergency as a result of the rejection of their routine grievances and the virtual suspension of trade union activities. The build-up resentment found a ready outlet following of the restoration of normal trade union rights. With the exception of 1980, the period from 1979 to 1984 showed an increasing trend in the loss of mandays. On January 13, 1982, the longest strike in the textile industry in India and that of world was staged by Datta Samant (a militant trade union leader); in which more than 2.5 lakh workers of 60 textile mills in Bombay were involved in the strike, which resulted in a wage loss of Rs. 300 crores to the workers and Rs. 200 crore loss to the mills, and cloth production worth about Rs. 2,000 crores was badly hit. As a result of this strike, 41.40 million mandays were lost out of the total mandays loss of 74.61 million in 1982. The strike failed miserably and workers had to suffer a lot. Due to an acute financial crisis, a large number of mills were closed; and 13 mills were placed under the control of the Government.

In the entire period, between 1976 and 1994, the number of mandays lost on account of strikes was the lowest during 1976 (2.7 million) and was highest during 1981 (36.58 million). Since then, it is exhibiting a fluctuating trend with range of 13.82 to 15.13 million mandays between 1986 and 1992, with a constancy of 10.69 and 10.64 million in 1985 and 1990. (Table 11.5)

Since 1976, the mandays lost on account of lockouts are showing an increasing trend, the highest being in the year 1989 when they were as high as 21.96 million days. In 1990, they were 13.44 million days, but after that they are showing an increasing trend in 1991 they were 14 million mandays.(Table 11.6)

Industrial Disputes by Industries

The dispute pattern does not exhibit a uniform trend in all the industries. The data given in the Table 8 reveals that for the last three decades, the manufacturing sector is reporting a high score in this regard. In recent years, relatively their share has increased; and they have accounted for nearly two-thirds of the total number of work-stoppages and more than three-fourths of the loss of the total number of mandays. The mining and quarrying, agriculture, hunting, forestry, fishing and allied industries come next in importance. The construction and services show very erratic tendencies. Of late, electricity, gas and water and sanitary services have shown evidence of disquieting industrial relations. The transport, storage, and communication, financing, insurance, etc. are also exhibiting a fluctuating trend.

It may be noted that plantations, coal, textiles (cotton, jute, silk and wool), banking and insurance, docks and ports, and railways (taken together) employ a very large number of the total labour force of all organised industries. They have been responsible for 30 per cent to 40 per cent of the total number of work stoppages and 25 per cent to 50 per cent of the total number of mandays lost following all the disputes in the country.

In the public sector, strikes have been very frequent in steel plants, fertilizer factories, posts and telegraphs, railways, ports and docks, the Indian Airlines Corporation, the Life Insurance Corporation of India and in nationalised banks. Tables 10.8 and 10.9 indicate the number of disputes, the number of workers involved and the number of mandays lost in selected industries.

Disputes by Sector

As is obvious from Table 10.10 the number of disputes in the public sector has always been smaller than in the private sector. In the earlier period, the ratio of disputes between public and private sectors was quite high, for instance, in 1971, it was 1:6 but went down to 1:3 in 1975. It is interesting to note that in the years 1976, 1983 and 1984, it was 1:2; 1:3 in 1985; 1:4 in 1988; between 1989 to 1991, it was again 1:2. The proportion of mandays lost in public to private sector was 1:6 in 1971; 1:9 in 1976; 1:5 in 1983; 1:1 in 1986; 1:46 in 1989; 1:3 in 1990 1:5 in 1991 and 1:13 in 1992 (p). This indicates that over the last two decades the private sector is constantly losing more mandays in comparison to public sector.

An analysis of industrial unrest in different states reveals that the incidence of unrest, i.e. strikes and lockouts were highest in the states of West Bengal, Tamil Nadu, Maharashtra and the Gujarat, which also happens to be the highly industrailised states of the country. The disputes statistics reveals that these accounted for 60.1 per cent of the total, mandays lost in 1961; 51.6 per cent in 1971; 50.6 per cent in 1981; 60.63 per cent in 1990 and 73.4 per cent in 1991. It is interesting to note that in the last four decades, barring aside 1991, West Bengal registered the maximum number of Disputes followed by Maharashtra Tamil Nadu and least in the Gujarat.

Table11.8

Mandays Lost in Disputes Resulting in Work Stoppages, 1961-1991

(By Selected Industries)

	1961			1971			1976			1980		
	No. of Mandays Lost ('000)	*Employ-ment ('000)*	*Mandays Lost Per 1,000 Workers*	*No. of Mandays Lost ('000)*	*Employ-ment ('000)*	*Mandays Lost Per 1,000 Workers*	*No. of Mandays Lost ('000)*	*Employ-ment ('000)*	*Mandays Lost Per 1,000 Workers*	*No. of Mandays Lost ('000)*	*Employ-ment ('000)*	*Mandays Lost Per 1,000 Workers*
lanufacturing	3796	3716	1022	11343	4753	2386	11922	5830	2045	17227	6715	2543
lantations	210	1210	174	1691	1000	1691	973	44	786	918	1623	905
ailways	—	1163	—	354	1379	257	11	1460	8	12	1552	8
lining	357	671	532	1057	631	1675	311	763	408	1529	714	263
'oal Mining	201	411	489	626	382	1639	74	510	145	630	499	1623
ost & 'elegraph	—	—	—	—	—	—	—	—	—	—	—	—
ransport torage & 'ommunications	111	—	—	10[illegible]	2290	479	6	2492	26	321	2722	155

	1990			1991		
	No. of Mandays Lost (OOO)	*Employment ('000)*	*Mandays Lost per 1000 Workers*	*No. of Mandays Lost (OOO)*	*Employment (000)*	*Mandays Lost 1000 Workers*
lanufacturing	47371	7835 (P)	22[illegible] (P)	21600	7835 (P)	2757 £
lantations	220	1085	203	196	1085 (P)	181
ailways	—	1647	—	—	1651	—
lining	2385	1054 £	2265	1619	1054	1536
'oal Mining	2265	249 (P)	9090 (P)	1425	249 (P)	5723(P)
ost & Telegraph.	555	955	581	—	967	—
ransport, Storage : Communication	1596	3077 £	519	96	3077 £	31

Source·' rious Issues of the Indian Year Book

P :Pro\ .J. ›nal

£ :Employment figure of earlier year(s) have been repeated fr deriving figure.

Industrial peace in a country is an important pre-condition for its industrial development. Industrial peace implies the existence of harmonious relationship between the management and the workers. When the relationship between the management and the workers is not cordial, industrial atmosphere is not peaceful. Such a situation is known as industrial unrest. In other words, industrial unrest refers to discontent and conflict between employers and employees. It takes the shape of strikes, lock-outs, demonstrations, etc.

The relations between the employers and the employees are frequently clouded by a sense of exploitation, distrust and discontent. They give rise to industrial conflicts or disputes. Perhaps industrial dispute is the most acute problem in industrial organisations because it endangers peace in the industry. Some of the symptoms of industrial unrest are high labour turnover, disciplinary problems, absenteeism and tardiness, critical personal rating, low morale, restriction of output, etc. It is important to note that strikes and lock-outs have come to stay almost permanently in the industrial set-up of many countries.

Meaning of Industrial Unrest

According to Sec. 2(k) of the Industrial Disputes Act an industrial dispute means any dispute of difference between employers and employers or between employers and workmen, or between workmen and workmen, which is connected with the employment or non-employment or the terms of employment or with the conditions of labour, of any person.

Important point which emerge from this definition are:

The use of the adjective 'industrial dispute' relates the dispute to an industry.

Clause (1) of Section (2) defines the word industry thus;

Industry means any systematic activity carried on by co-operation between an employer and his workmen (whether such workmen are employed by such employer directly or by or through any agency, including a contractor) for production, supply, or distribution of goods or services with a view to satisfy human wants or wishes (not being wants or wishes which are merely spiritual of religious in nature) whether or not.

Any capital has been invested for the purposes of carrying on such activity; or

Such activity is carried on with a motive to make any gain or profit.

The following are included within the meaning of industry:

(a) Any activity of the Dock Labour Board established under Sec 5-A of the Dock Workers (Regulation of Employment) Act, 1948.

(b) Any activity, being a profession practised by any individual or body of individuals.

(c) Any activity relating to the promotion of sales or business or both carried on by an establishment.

The following are excluded from the word industry:

(a) Any agricultural operation except where such agricultural operation is carried on in an integrated manner with any other activity which is referred to above.

(b) Hospitals or dispensaries.

(c) Educational, scientific, research or training institution.

(d) Institutions owned or managed by organisation wholly or substantially engaged in any charitable, social or philanthropic service.

(e) Khadi or Village industries.

(f) Any activity of the government relatable to the sovereign functions of the government including all activities carried on by the departments of the Central Government dealing with defense, research, atomic energy and space.

(g) Any activity, which is, carries on by a co-operative society in which less than 10 persons are employed.

Workman means any person (including an apprentice) employed in any industry to do any manual, unskilled, skilled, technical, operational, clerical or supervisory work for hire or reward. His terms of employment may be express or implied. For the purposes of any proceedings under this Act in relation to an industrial dispute, workman includes any person who has been dismissed, discharged of retrenched in connection with or as a consequence of, that dispute, or whose dismissed, discharge or retirement has led to that dispute. But workman does not include any such person-

(a) who is subject to the Air Force Act, the Army Act or the Navy Act; or

(b) who is employed in the police service or as an officer or other employee of a prison; or

(c) who is employed mainly in a managerial or administrative capacity; or

(d) who, being employed in a supervisory capacity, draws wages exceeding Rs.1,600 per mensen or exercises functions mainly of a managerial nature.

It should be noted that an employee engaged in any work, whether direct or incidentally connected with the main industry, is a workman if the payment of his wages has a bearing on the fund of the company. Thus, a gardener who works at the managing director's bungalow but receives salary from the company or a teacher who works in a school run by the factory is a workman. Further, the definition does not make any distinction between a full-time employee and a part-time employee. Both are workmen if other tests are fulfilled.

Only specific types of disputes, i.e., those which bear upon the relationship of employers and workers and the terms of employment and conditions of labour are included under the term. Thus, disputes between government and an industrial establishment or between workmen and non-workmen are not industrial disputes.

The use of plural number for the disputant parties in the definition raises doubt on whether there can be an industrial dispute between an employer and an individual workman. This doubt is, however, removed by Sec. 2A which was added to the Act in 1965. This section considers an individual dispute as an industrial dispute if it relates to discharge, dismissal, retirement or termination of a worker's services and is raised on or after Dec. 1, 1965.

Forms of Disputes

Strikes, lockouts and gheraos are the most common form of disputes.

Strike: *Section 2 (q) of the Industrial Disputes Act, 1947 defines strike as under:*

"Strike means a cessation of work by a body of persons employed in any industry acting in combination, or a concerted refusal under a common understanding of any number of persons who are or have been so employed to continue to work or to accept employment."

Thus, the essential ingredients of strike are:

1. There should be an 'industry' within the meaning of Section 2(j) of the Industrial Disputes Act, 1947 in which the striking persons should be employed.
2. There should be stoppage of work in pursuance to a concerted plan in combination. Where the workers absent together from the work place not to stop work but to participate in a demonstration which may incidentally result in the stoppage of work it is not strike because it is not in pursuance to a concerted plan.
3. There should be contract of employment between the striking workmen and the industry. Thus when the workmen refuse to do additional work which the employer in law has no right to ask them to do it would not amount to strike. It should be remembered that the duration of the cessation of work is absolutely irrelevant for the purpose of determining whether a particular cessation amounts to strike or not.
4. The cessation of work need not necessarily be connected with an industrial dispute to amount to a strike. For this reason, sympathetic strikes, protest strikes, etc., are 'strikes' within the meaning of the term. But under the Bombay Industrial Relations Act, 1946 there is an explicit provision Sec.3(36) that to be called a strike, the cassation of work should be in consequence of any industrial dispute.

Forms of Strikes: *Cessation of work may take place in a number of ways as described below:*

1. ***Stay-in-strike,*** sit-down strike, pen-down strike or tool-down strike. All these forms of strike are considered by courts as an invasion on the rights of employer and therefore illegal. Sit-down or stay-in strike amounts to trespass up or the property of the employer.
2. ***Go-slow.*** Slowing down the pace of production is one of the most pernicious practices that discontented workmen sometime resort to. It would not be far wrong to can this dishonest. For, while thus delaying production and thereby reducing the output, the workmen claim to have remained employed and thus to be entitled to full wages. Apart from this also, 'go-slow' is likely to be much more harmful than total cessation of work by strike. For, while during a strike much of the machinery can be fully turned off, during the 'go-slow' the machinery is kept going on a reduced speed which is often extremely damaging to machinery is kept going on a reduced speed which is often extremely damaging to machinery parts. For all these reasons ' go-slow'

has always been considered a serious type of misconduct. But it is not a strike because at no time the work stops in this form.

3. ***Hunger strike***: Hunger strike is a strike with some or all strikers or even outsiders for acceptance of the demands.

4. ***Lightening or wildcat strike***: A wildcat strike is an unofficial strike, i.e., a strike not sanctioned by the union. Such strikes occasionally occur in violation of the no-strike pledge in collective bargaining agreements. In such a situation the union is obligated to use its best efforts to end the strike. Such strikes are prohibited in public utility services under Section 22 of the Industrial Disputes Act, 1947 and in all industrial establishments in U.P., Maharashtra, M.P. and Gujrat, where notice is required to be given. Further, the standing orders of a company generally require for notice.

5. ***Work-to-rule.*** In this form employees, though remaining on job, do the work literally in accordance with rules or procedure laid down for the purpose. Usually rules of work are followed in such a manner that they result in dislocation of work. In U.S.A. these tactics are recognised as a form of strike. But in India they are not covered by the definition of "strike".

Lock-out. Section 2 (1) of the Industrial Disputes Act, 1947 defines " lock-out" to mean the temporary closing of a place of employment or the suspension of work, or the refusal by an employer to continue to employ any number of persons employed by him. Lockout, thus, is the counterpart of strike-the corresponding weapon in the hands of the employer to resist the collective demands of workmen or to enforce his terms. It has been held by the courts that the suspension of work as a disciplinary measure does not amount to lockout. Similarly, temporary suspension of work called lay-off is not lock out.

Gherao. Gherao mean encirclement of the manager to criminally intimidate him to accept the demands of the workers. It amounts to criminal conspiracy under Section 120-A of the I.P.C. and is not saved by Sec.17 of the Trade Unions Act on the grounds of its being a concerted activity.

Impact of Industrial dispute on the Economy

Labour disputes were uncommon in India before the First World War. It was only after its end in 1918 that they became more common in our country due to (i) the demand of workers for a share in the prosperity of the industry during the early boom period and (ii) the resistance of workers to the reduction of their wages by the employers during the economic depression of the twenties when profits disappeared. Later on, during the twenties the number of disputes remained fairly steady around 150 every year till it jumped up to 406 in 1939 when the Second World War broke out. With the commencement of World War II, prices began to soar high and the cost of living of the workers started rising. This created restlessness and a demand for dearness allowance arose all over the country. Later on, when the industrialists began to make huge profits, demand for participation in the war profits in the form of bonus was made and this led to labour disputes.

During the war period, the Government promulgated two Ordinances, Rule 81-A of the Defence of India Rules-which empowered the Government to prohibit strikes and lockouts, to compel employers and workers to observe certain terms and conditions of service-and another order in 1942 which prevented any person in any undertaking from going on strike without giving 15 days notice. The Government also took power to regulate wages and terms and conditions of employment in certain essential services. However, these measures proved inattentive. The number of disputes in the industry increased in 1629 in 1946 from 694 disputes in 1942. This resulted in a loss of 27 lakh days as against 58 lakh days in 1942.

Industrial Trade Resolution of 1947

When India became free in 1947 there was a fresh wave of strikes all over the country. There were 1,811 disputes during this year involving more than 18 lakhs workers resulting in a loss of more than 165 lakh man-days. The principal sufferer was the cotton textile industry where the loss of production was so big that India was forced to import cloth from Japan despite the country's self sufficiency in this area. To arrest the problem of strikes and falling production, the Ministry of Industry and Supply, Government of India, convened a Tripartite Conference in December 1947. The Conference discussed various aspects of industrial development and concluded that the increase in industrial production could not be attained without the fullest co-operation between labour and management. It exhorted both parties to maintain peace of a period of three years. The delegates agreed on two basic principles, viz, (1) all disputes between labour and management should be solved by mutual discussion without recourse to interruption of slowing down of production, and (2) both the labour and management should share the product of their common efforts after making provision for payment of fair wages to labour, fair return on capital employed in the industry and reasonable reserves for the maintenance and expansion of the undertaking.

To achieve the above ends the Conference recommended the following measures;

1. Fullest use should be made of statutory and other machinery for the resolution of industrial disputes in a just and peaceful manner. Where such machinery does not exist, it should be created immediately. There should be uniformity of such machinery as far as possible throughout India.
2. Central, regional and functional machinery should be established for the study and determination of fair wages and condition of labour and fair remuneration to capital.
3. Works committees should be constituted in each undertaking.
4. Standard of living, more especially the problem of housing, should be improved.

Following the above Truce Resolution the number of disputes came down to 814 in 1950 but then again increased to 1071 during 1951. The First Five Year Plan, which was launched during this year, stressed the need to develop closest collaboration between employers and employees through Works Committees at the plant level. The Plan also emphasised the need to encourage mutual settlement, collective bargaining and voluntary arbitration to the maximum extent. As a result of this approach the number of disputes temporarily declined to 840 in 1954. But the number increased every year during the Second Five Year Plan period (1956-60). From 1203 disputed in 1956 the number rose to 1583 in 1960. This increase occurred despite the management and the unions adopting a voluntary code of discipline in1958 and a more positive approach towards industrial relations being taken by the Second Five Year Plan. The plan stated that the public sector undertakings should act as model employers by providing for comprehensive labour welfare measures.

During 1961 the number of disputes again declined to 1357. This could be the result of the provisions made in the Third Five Year Plan (1961-65), which underlined the need to make the Code of Discipline a success. It also advocated for the strengthening of the works committees and joint management councils, Workers education, management training programmes and recognition of trade unions. In 1962 there was again an increase in the number of disputes to 1491. the situation was made further grim by the Chinese aggression. Hence, on November 3, 1962 at a joint meeting of the employers and workers representatives at New Delhi the second Industrial Truce Resolution was passed.

Industrial Truce Resolution of 1962

This resolution said: "No effort shall be spared to achieve maximum production and management and workers will strive in collaboration in all possible ways to promote the defence efforts of the country." Towards these ends the following step will be taken:

Climate: A suitable climate would be created and preserved for ensuring sustained effort and resolute action in pursuance of the aforesaid aim. Both sides would exercise restraint and forbearance so that nothing is allowed to come in the way of their single-minded and concerted endeavour, in support of the defiance of the country.

Industrial peace. (i) Under no circumstances shall there be any interruption in or slowing down of production of goods and services.

(ii) In respect of their economic interests both workers and employers will exercise voluntary restraint and accept utmost sacrifice in an equitable manner.

(iii) There would be maximum recourse to voluntary arbitration. Adjudication, if necessary, would be completed with utmost promptness.

(iv) The industries mentioned in the First Schedule to the Industrial Disputes Act, 1947, and such other industries as may be considered necessary, e.g., petroleum and its products, chemicals, etc., may be declared as 'public utility services' under Section 2 of the Act.

(v) All complaints pertaining to discharge, victimisation and retrenchment of individual workmen, not settled mutually, would be settled through arbitration.

(vi) The labour administration at the Centre States would be streamlined so that grievances and disputes are settled promptly and cordial industrial relations are maintained.

Production. (i) All impediments in the way of better and fuller utilisation of men, machinery and material would be removed. There would be no idle plant capacity or waste. Management would exercise maximum economy is its operation.

(ii) Production would be maximised by working in extra shifts, extra hours or on Sundays and holidays by mutual agreement.

(iii) Absenteeism and turnover would be discouraged and reduced to the minimum. Unions will discourage negligence of duty, damage to property and interference in normal work.

(iv) Technical and skilled personnel in short supply will be switched over to defense work and steps would be taken to increase its supply through training and apprenticeship programmes.

(v) In the production drive the well-being and health of the working class will not be ignored.

Price Stability. (i) Every effort would be made to ensure that prices of industrial goods and essential commodities are not allowed to increase.

(ii) To ensure supply of essential commodities at fair prices to the working class, steps would be taken to organise consumer co-operatives in industrial areas.

Savings. (i) The imperative necessity of increasing savings would be brought home to workers and management and arrangements would be made to facilitate greater savings.

(ii) Workers would be persuaded to contribute liberally to the National Defense Fund.

The above Truce Resolution resulted in a decline in the number of disputes during 1963 which fell from 1,491 to 1,471. but there was again a spurt in their number during 1965 when it rose to 1,835. the spurt continued during the Annual Plans of 1966, 1967 and 1968 and during the Fourth Plan period despite the Plan provisions to promote healthy trade union movement, collective bargaining and labour management co-operations. The Fourth Plan also underlined the need to strengthen labour administration, train labour officers, conduct research on labour relations and labour laws and improve labour statistics. 1973, which was the concluding year of the Fourth Plan, saw 3,370 disputes.

During 1974 (when the Fifth Five-Year Plan began) the number of disputes was 2,938. The Plan stressed the need for better enforcement of labour laws and for adopting conciliation as a method to solve disputes. In 1975 emergency was imposed. As a result there was a decline in the number of disputes in 1976. They came down to 1,459. But with the removal of emergency there was again a spurt in the number. There were 3,197 disputes in 1978.

The following table gives these statistics for some recent years:

Table 11.9

Year	No. of disputes	Workers involved ('000)	Man days lost (in lakhs)
1993	1,393	954	203
1994	1,201	846	210
1995	1,066	990	163
1996	611	452	115

Source: Pocket Book of Labour Statistics, 1997

Some people believe that the steep decline in the number of disputes during 1996 is due to the fear of retrenchment caused by the new liberalisation policy and the technological up gradation, which is going on in majority of our organisations. Whatever may be the reasons of this decline, even this small number of disputes has resulted in a huge loss of Rs.17 crore in wages and Rs.124 crore in production. Further, of the total loss of 115 lakh man-days during 1996, the maximum loss (23%) has occurred in the jute followed by cotton (15%) and plantations (6%).

The following table provides information about the form in which disputes occur. Strikes have always outnumbered lockouts. During 1996 out of 611 disputes 353 were strikes and 258 were lockouts. But the loss of man-days from lockouts has always been greater than that from strikes.

Table 11.10: Disputes by Strikes and Lockouts

	1993	1994	1995	1996
(A) Strikes (No.)	914	808	732	353
Workers involved ('000)	672	626	683	202
Man-days lost (in lakhs)	56	67	57	35
(B) Lockouts (No.)	479	393	334	248
Workers involved ('000)	282	220	307	250
Man-days lost (in lakhs)	147	143	106	80

Source: Pocket Book of Labour Statistics, 1997.

The following table gives sector-wise details of disputes for 4 years. It can be seen from this table that the number of disputes in the public sector in each year has been greater than the number in the public sector although the number of workers involved has been less. But the greater man-days loss of the private sector implies that the disputes in this sector have always been of longer durations.

Table 11.11: Disputes by Sectors

Sector	1993	1994	1995	1996	
(a)Public Sector		359	316	343	230
No. of disputes					
Workers involved (in lakhs)					
Man-days lost, (in lakhs)					
(b) Private Sector					
No. of disputes					
Workers involved (in lakhs)					
Man-days lost (in lakhs)					

Causes of Industrial Disputes

It is difficult to prepare an exhaustive list of causes of industrial disputes. Following is an illustrative list of these causes:

Economic causes. Demand for higher wages, dissatisfaction with the method of job evaluation, wrongful deductions from wages, faulty incentive schemes, lack of fringe benefits, lack of promotional avenues, and so on.

Psychological causes. Lack of opportunities for advancement and growth, non-recognition of merit of seniority, faulty transfer policy, authoritarian administration, poor relations with peers and superiors, and so on.

Organisational causes. Non-recognition of unions, unfair practices, violation of collective agreements, standing orders and labour laws, duality of command and supervision, faulty communication system, and so on.

Physical causes. Poor working conditions, worn-out plant, complex technology, poor layout, inadequate maintenance, and so on.

The following tables gives the percentage distribution of industrial disputes in India according to causes for the last few years:

Tale 11.12: Percentage Distribution of Disputes by Causes

	Cause	1994	1995	1996
1.	Wages and Allowances	30.0	30.9	25.0
2.	Indiscipline	15.4	14.0	20.9
3.	Personnel	16.4	18.8	18.9
4.	Charter of Demands	4.7	5.9	8.9
5.	*Standing Orders/Rules/* Service conditions/Safety Measures	4.2	5.0	4.3
6.	Bonus	7.8	7.6	3.6
7.	Non-implementation of labour awards and agreements	3.1	4.1	2.8
8.	Better Amenities	1.4	1.7	2.7
9.	Leave, hours of work and shift	1.5	2.0	2.2
10.	Inter/Intra-union rivalry	0.8	0.7	1.4
11.	Rerencchrment and lay off	2.0	1.4	0.9
12.	Violence and gherao	1.8	1.4	0.7
13.	Work load	0.8	1.0	0.5
14.	Suspension/Change of manufacturing process	0.1	—	0.2
15.	Others	10.0	5.5	7.0
	Total	100.0	100.0	100.0

Source: *Pocket Book of Labour Statistics, 1997*

It will be seen from the above table that the most common cause of all industrial disputes in the country has been 'wages and allowances'. The most alarming fact depicted by this table, however, is the rapid growth of disputes due to indiscipline. In the early sixties and before this period the number of disputes resulting from indiscipline used to be so insignificant that it used to be merged with "other causes" in the official statistics. It came to be shown separately in the seventies. In 1994 only 15.4% of the disputes had resulted from this reason but in 1996 this percentage has increased to 20.9

In America all issues leading to industrial disputes are categorised under 2 heads:

(i) Disputes concerning interests, and

(ii) Disputes concerning rights.

Disputes concerning interests are those disputes in which worker's demand is to create a new right or benefit for them. Thus a dispute for a general wage increase or for accepting seniority as the basis of promotion is a dispute of this kind. On the other hand, disputes concerning rights are those disputes in which the workers demand is to properly enforce, implement or honour an already established right or benefit. Thus a dispute to properly implement a wage board's award is dispute of the second kind.

It should be remembered that disputes concerning interests are less emotionally charged than the disputes concerning rights. As a consequence, it is easier for the parties to directly negotiate in their case and to come to a meeting ground. But it is extremely difficult and delicate to do so in the case of disputes concerning rights. That is why in their case either a legal solution is preferred or where a legal solution is not possible, parties go to arbitration.

Results of Disputes

Disputes are not discrete situations with a clear beginning and end. Every disputes leaves an aftermath that affects the course of succeeding disputes. If the dispute is successfully resolved to the satisfaction of both the parties, the basis for a more co-operative relationship may be laid. But if the dispute is merely partially resolved or suppressed, the latent conditions of conflict may be aggravated and explode in a more serious form until they are rectified. The following table gives the percentage distribution of industrial disputes according to results for 4 years:

Table 11.13: Percentage Distribution of Disputes by Results

	Result	1993	1994	1995	1996	Average
1.	Successful	22.8	36.9	40.4	59.1	39.8
2.	Partially successful	29.8	16.2	11.2	19.9	19.1
3.	Unsuccessful	40.3	41.0	45.7	17.2	36.1
4.	Indefinite	7.7	5.9	2.7	3.8	5.0

Source: *Pocket Book of Labour Statistics, 1997.*

As shown in the above table, on an average only 40% of all industrial disputes in a year yield successful results, 19% yield partially successful results, 5% yield indefinite results and 36% yield unsuccessful results.

Methods for the Prevention and Settlement of Industrial Disputes:-

In our country the various methods for the prevention and settlement of industrial disputes operate at two levels: Voluntary and statutory.

Voluntary Level

At the voluntary level these methods are:

1. Collective Bargaining,
2. Code of Discipline,
3. Arbitration,
4. Permanent Negotiation Machinery and Joint Consultative Machinery, and
5. Tripartite Bodies.

Collective bargaining: This we have already discussed in a separate chapter.

Code of Discipline: This code was approved by all central organisations of workers and employers at the Sixteenth Session of the Indian Labour Conference in June, 1958 at the initiative of the then Union Labour Minister G.L.Nanda. It has also been accepted by a large number of other employer's and workers' organisations. The code applies to all public sector companies and corporations except defence, railways and ports and docks. The code applies with the certain modifications to the Reserve Bank of India. State Bank of India and the Department of Defense Production.

The code consists of three sets of principles to be followed by the parties to labour relations. These are as under:

I. Management and Union(s) agree:

- That no unilateral action should be taken in connection with any industrial matter and that disputes should be settled at appropriate level;
- That the existing machinery for settlement of disputes should be utilised with the utmost expedition;
- That there should be no strike or lock-our without notice;

- That affirming their faith in democratic principles, they bind themselves to settle all future differences, disputes and grievances by mutual negotiation, conciliation and voluntary arbitration;
- That neither will have recourse to (a) litigation, (b) sit-down and stay-in-strikes and (c) lock-outs.
- That they will promote constructive co-operation between their representatives at all levels and as between workers themselves and abide by the spirit of agreements mutually entered into;
- That they will establish upon a mutually agreed basis a grievance procedure which will ensure a speedy and full investigation lending to settlement;
- That they will abide by various stages in the grievance procedure and take no arbitrary action which would by pass this procedure; and
- That they will educate the management personnel and workers regarding their obligations to each other.

II. Management agrees

- Not to increase work-loads unless agreed upon or settled otherwise;
- Not to support or encourage any unfair labour practice such as: (a) interference with the right of employees to control or continue as union members;
(b) discrimination, restraint or coercion against any employee because of recognised activity of trade unions; and (c) victimisation of any employee and abuse of authority in any form;
- To take prompt action for (a) settlement of grievance, and (b) implementation of settlements, awards, decisions and orders;
- To display in conspicuous places in the undertaking the provisions of this code in local language(s);
- To distinguish between actions justifying immediate discharge and those where discharge must be preceded by a warning, reprimand, suspension or some other form of disciplinary action and to arrange that all such disciplinary action should be subject to an appeal through normal grievance;
- To take appropriate disciplinary action against its officers and members in cases where enquiries reveal that they were responsible for precipitate action by workers leading to indiscipline; and
- To recognise the union in accordance with the criteria evolved at the 16th session of the Indian Labour Conference held in May 1958.

III. Union(s) agree

- Not to encourage any form of physical duress;
- Not to permit demonstrations which are not peaceful and not to permit rowdyism in demonstration;
- That their members will not engage or cause other employees to engage in any union activity during working hours, unless as provided for by law, agreement or practice;
- To discourage unfair labour practice such as: (a) negligence of duty, (b) careless operation, (c) damage to property, (d) interference with or disturbance to normal work, and (e) insubordination;
- To take prompt action to implement awards, agreements, settlements and decisions;
- To display in conspicuous places in the union offices, the provisions of this Code in the local language(s); and
- To express disapproval and to take appropriate action against office bearers and members for indulging in action against the spirit of this Code.

The Code does not have any legal sanction but the following moral sanctions are behind it:

The Central Employers and Workers organisation shall take the following steps against their constituent units guilty of breaches of the Code:

- To ask the unit to explain the infringement of the Code;
- To give notice to the unit to set right the infringement within a specified period;
- To warn and in case of a more serious nature to censure the unit concerned for its actions constituting infringement;
- To disaffiliate the unit from its membership in case of persistent violation of the Code; and
- Not to give countenance, in any manner, to non-members who did not observe the Code.

Grave, willful and persistent breaches of the Code by any party should be widely publicised.

Failure to observe the Code would entail deracination normally for a period of one year- this period may be increased or decreased by the Implementation Committee concerned.

A dispute may not ordinarily be referred to adjudication if there is a strike or lock-out without proper notice or in breach of the Code as determined by an implementation machinery unless such strike (or direct action) or lock-out, as the case may be, is called off.

Arbitration. The procedure of voluntary arbitration in India is governed by two different sets of rules according to whether the arbitration is instituted under the Central of State Acts or under the Code of Discipline. Where the parties invoke arbitration as per the provisions of legislation its process is entirely governed by statutory prescriptions. Such prescriptions obtain under both the Central law viz., the Industrial Disputes Act, 1947 and the Bombay Industrial Relations Act of 1946. On the other hand, where parties resort to arbitration in compliance with the directive of the Code of Discipline, the arbitration process in such cases follows the procedure as framed by the National Arbitration Promotion Board for the guidance of the arbitrators and parties.

Procedure under the Industrial Disputes Act, 1947. Section 10A of this Act says that where any dispute exists or is apprehended and the employers and the workmen agree to refer the dispute to arbitration, they may, at any time before the dispute has been referred to a Labour Court of Tribunal or National Tribunal, by a written agreement, refer the dispute to arbitration.

For the purpose of reference of a dispute, the procedure is that first, the parties must enter into a written agreement called the "arbitration agreement" to refer the dispute to an arbitrator or arbitrators whose name they must specify in the agreement. The agreement must be in the form prescribed and must be signed by the parties jointly, and a copy sent to the appropriate government to publish the arbitration agreement within one month from the date of its receipt in its Official Gazette.

The parties are free to appoint one or many arbitrators, but in case their number is even, the parties should provide for the appointment of another person as umpire who may give the award if the arbitrators are equally divided in their opinion, the award of the umpire is then deemed as the 'arbitration award'.

The Act also prescribes certain guidelines for the conduct of arbitration proceedings. First, in case the government is satisfied that persons making reference to arbitration represent the majority of each party, it may within the time limit prescribed for publication of the 'arbitration agreement' issue a notification giving an opportunity to the employers and workers who are not parties to the arbitration agreement but are concerned in the dispute, to present their case before the arbitrator or arbitrators. When a notification is issued, the Government can, by order, prohibit the continuance of any strike or lockout in connection with a dispute referred to arbitration.

Nothing in the Arbitration Act, 1940 applies to arbitration under the Industrial Dispute Act. Subject to any rule made by the appropriate government in this behalf, an arbitrator or arbitrators shall follow such procedure, as they may think fir, for investigating the dispute. Unlike Labour Courts and Industrial Tribunals, the Act has not given powers to arbitrator/arbitrators for enforcing the attendance of any person to examine him on oath or for compelling the production of documents or material objects or for issuing summons for examination of any witness.

The arbitrator or arbitrators have a solemn duty to investigate the dispute and submit the award duly signed to Government concerned. They are bound to keep confidential any information which they may have obtained in the course of investigation or enquiry or which is not available otherwise than through the evidence provided the party concerned has made a request in writing to that effect. If any person willfully discloses any information, which is treated as confidential, he is punishable on complaint made by or on behalf of the trade union or individual business with imprisonment for a term which may extend to six months or with fine which may extend up to Rs.1000 or with both (Sec.30).

On receipt of the arbitration award, the concerned government is required to publish it in an appropriate manner, within 30 days from the date or its receipt.

The award becomes enforceable on the expiry of 30 days from the date of its publication and is final.

An arbitration award binds only the parties to the arbitration, i.e., the employer and the workmen as represented by the union or other representatives who have signed the agreement for reference of a dispute to arbitration. However, if the parties referring the dispute to arbitration represent the majority of each party the Government can, on being satisfied about it, issue a notification under Sec. 10-A(3-A) of the Industrial Disputes Act read with Rule8-A of the Central Rules after which employers and workmen who are the parties to the arbitration agreement but are concerned with the disputes shall be given an opportunity of presenting their case before the arbitrator and in this situation an arbitration award will have an extended application just as a conciliation settlement.

Any person who commits a breach of any terms of any settlement or award, which is binding on him under this Act, is punishable with imprisonment for a term which may extend to six months, or with fine, or with both and where the breach is a continuing one, with a further fine which may extend to two hundred rupees for every day during which the breach continues after the conviction for the first offence and the Court trying the offence, if it fines the offender, may direct that the whole or any part of the fine realised from his shall be paid, by way of compensation, to any person who, in its opinion, has been injured by such breach (Sec.29).

Under the Act, the award remains in operation for such period as may have been mentioned by it or in its absence for a period of one year from the date on which it becomes enforceable. The appropriate government has the power to extend the period of operation by any period not exceeding one year at a time. However, in such a case. The period of operation cannot be extended for more than 3 years from the date on which it came into operation. An award would continue to be in operation even after the expiry of the prescribed period unless advance notice of two months is given by either of the parties to the opposite party.

Under the Act, the arbitration process is deemed to have commenced on the date of reference of the dispute for arbitration and to have concluded on the date on which the award becomes enforceable.

The Act prohibits a strike or a lockout-

(a) during the tendency of arbitration proceeding and within 2 months after the conclusion of such proceedings; and

(b) during any period in which an award is in operation in respect of any of the matters covered by the award.

Procedure under the Code of Discipline. Important features of this procedure are as follows:

1. Where the parties agree to arbitration under the Code, they must first enter into a written agreement preferably in the form prescribed by the NAP Board. A copy of the agreement must be sent to the Chairman of the NAP Board.

2. The parties are free to select any person or persons to arbitrate in a dispute and send the consent of such persons to the NAP Board; if the parties disagree on the choice of arbitrator/arbitrators, they may authorise the NAP Board to nominate one or more arbitrators. The NAP Board may also appoint an umpire on the request of arbitrators, if they have failed to appoint one within the time specified by the parties. Where the NAPB appoints an umpire it should send a notice in this regard to the arbitrators Where, however, the arbitrators themselves choose and opening of the first hearing. No person should serve as an umpire in any arbitration in which he has any financial or personal interest in the result of the arbitration unless the parties in writing waive such disqualification.

3. As soon as may be after receiving the arbitration agreement the arbitrator should address the parties asking them to file their respective statements of the case as well as their comments on each other's statement within 10 days. He may, however, fix any longer time depending on the exigencies of each case. On receipt of the statements and comments of the parties, the arbitrator should arrange to hear the parties after giving them not less than one week's advance notice of the date, time and place of hearing unless the parties have otherwise agreed in writing.
4. Unless the parties agree otherwise, a workman should be entitled to be represented by an officer of a federation of trade union to which his union is affiliated or by an officer of any trade union connected with or by any other workman employed in the industry in which the worker is employed if he is duly authorised. In the case of an employer who is a party to the dispute, he should be entitled to be represented by an officer of association of employers of which he is a member or an officer of Federation of Associations to which his association is affiliated or by an officer of an association of employers connected with or by any other employer engaged in the industry in which the employer is engaged if he is duly authorised. No party to the dispute should be entitled to be represented by a legal practitioner, even if he holds an office in an employer's association or a trade union. If without sufficient cause being shown, any party to arbitration proceedings fails to attend or be represented, the arbitrator may proceed as if the party had duly attended or had been represented.
5. Persons having a direct interest in the dispute should be entitled to attend the hearings before the arbitrator who may require the retirement of any witness or witnesses during the testimony of other person at the hearings.
6. The hearings should be continued from day to day and concluded as expeditiously as possible. However, the arbitrator may, for good cause to be stated in writing, adjourn the hearing at his own discretion or on request from either or both the parties.
7. The hearing should be opened by recording place, time and date of hearing, the presence of the arbitrator and parties and the receipt by the arbitrator of the statements and rejoinders, if any. Exhibits, when offered by either party, should be received in evidence by the arbitrator. The names and addresses of all witnesses and exhibits and orders received should be made a part of the record. The arbitrator may, in his own discretion, vary the normal procedure under which the initiating party's presence is claimed but in any case should afford full and equal opportunity to all parties for presentation of relevant proofs.
8. The parties may offer such evidence as they deem fit provided it is relevant to the issues for determination of the arbitrator and should produce such additional evidence as the arbitrator may deem necessary. The arbitrator should be the judge of relevancy and materiality of the offered before him. But evidence should be taken in the presence of all parties unless any of them is absent in default or has waived its right to be present.
9. The arbitrator may receive and consider the affidavit or statement of a witness and give it such weight as he deems proper after due consideration of the objection to it, if any, by any of the parties. A party filing any documents with the arbitrator should endorse simultaneously a copy thereof to each of the other parties. Documents not filed with the arbitrator before the conclusion of the hearings may, by agreement between the parties, be submitted to him subsequently with copies thereof to each of the other parties. The parties should at any stage of the arbitration proceedings be entitled to examine the documents on the file of the arbitrator.
10. Whenever the arbitrator deems it necessary he may make inspection in connection with the subject-matter of the dispute after written notices to the parties, who may, if they so desire, be present at such inspection.
11. The arbitrator should enquire from all parties whether they have any further proof to be offered or witness to be heard. Upon receiving negative replies, the arbitrator should declare the hearing closed and minutes thereof should be recorded.

12. If no time limit is indicated in the arbitration agreement for making of the arbitration award, it should be given within a period of six months from the date of the agreement. The time-limit for making the award initially agreed to may be subsequently extended by mutual consent. Subject to the overall time-limit agreed to between the parties, the arbitrator should give his award within 30 days of the conclusion of the hearings or from the date agreed to between the parties for submission of statements or exhibits to the arbitrator.
13. The award should be in writing and should be signed by the arbitrator / arbitrators, as the case may be. Where the arbitrators are equally divided, the award should be signed by the umpire appointed by the arbitrators or the NAPB, as the case may be.
14. If during the pendency of arbitration proceedings the parties arrive at a settlement on the issues referred to arbitration and request the arbitrator to give his award in terms thereof, the arbitrator should give his award accordingly. The arbitrator should send a copy of his award to the NAPB.
15. The sharing of cost by the two parties to an arbitration agreement should be 50 : 50 or such other ratio as may be agreed to by them. The expenses of witnesses for either parties should be paid by the party which produces such witnesses.

Although voluntary arbitration is acknowledged to be the second best method after collective bargaining for resolving disputes it has not yet received general acceptance in our country. Factors which have contributed to the slow progress of arbitration are as follows:

1. Easy availability of adjudication in case failure of negotiations;
2. Dearth of suitable arbitrators who command the confidence of both parties;
3. Absence of recognised unions which can bind the workers to common agreements;
4. The fact that, in law, no appeal is maintainable against an arbitrator's award.
5. Absence of a simplified procedure to be followed in voluntary arbitration; and
6. Heavy costs involved to the parties, particularly workers.

Recently some efforts have been made by the government to popularise voluntary arbitration. A panel of qualified arbitrators has been drawn up and circulated among all workers' and employers' organisations so as to enable them to select acceptable persons as arbitrators. A tripartite National Arbitration Promotion Board has been appointed by the government to render the following functions:

(i) To review the position periodically;
(ii) To examine the factors inhibiting wider acceptance of this procedure and suggest measures to make it more popular;
(iii) To compile and maintain up-to-date panels of suitable arbitrators for different areas and industries and to lay down their fees;
(iv) To evolve principles, norms and procedures for guidance of arbitrators and the parties;
(v) To advise parties, in important cases, to accept arbitration for resolving disputes so that litigation in courts is avoided;
(vi) To look into the cause of delay and expedite arbitration proceedings wherever necessary;
(vii) To specify, from time to time , the types of disputes which would normally be settled by arbitration in the light of tripartite decisions.

IV. Permanent Negotiating Machinery. Among the voluntary institutions we may also mention the Permanent Negotiating Machinery (PNM) which is operating in the Railways and Post and Telegraph industries. The decision to set up a PNM in the railways was announced by the Railway Board in December 1951. The machinery has 3 tiers. The first tier consists of negotiation between the Divisional Superintendent and branch of the recognised unions in the area and between the General Manager of the Zonal Railway and the central executive of the recognised unions. The second tier consists of negotiations between the Railway Board and the recognised federations of railwaymen's unions. The Third tier assumes the form of an *ad hoc* railway tribunal which must have equal number of representatives of railway labour and railway administration with a neutral chairman.

Thus, in the hierarchy of the structure of the PNM the lowest unit is the Division. As the area of each negotiating unit increases so does the scope of negotiations. At the divisional level matters generally discussed are: job analysis, workload analysis, demand for more staff, provision of better housing, education and other facilities, administrative matters such as delay in redressal of grievances, non-implementation of orders, etc. At the zonal headquarters' level the subjects discussed are transfers, promotions, fixations and payment of allowances, etc. At the second tier (Board level) the subjects discussed are matters not settled at the lower level and questions concerning pay scales, allowances, etc., which are beyond the competence of lower authorities . similarly, matters not settled at the second level are referred to the *ad hoc* tribunal. Three such *ad hoc* tribunals have been established so far in 1953, 1969 and 1971.

Joint Consultative Machinery. We have also now the Joint Consultative Machinery (JCM) for dealing with issues related to service conditions in the Government sector. This not only covers the industrial employees of the Central Government who come under the definition of a workman under the Industrial Disputes Act but also class III and class IV employees of different Ministries and their subordinate organisations which may not be industrial in character. The machinery has three tiers. There is National Council at the national level to deal with matters affecting all Central Government employees generally like minimum remuneration, dearness allowance, pay etc. The National Council may have two standing committees one to deal with matters relating to non-industrial staff and the other to deal with matters concerning industrial staff.

There are Departmental Council at the departmental levels and Regional of Office Councils at the regional or local levels.

If there is no agreement between the two sides then issues relating to pay and allowances, weekly hours of work and leave must be referred to compulsory arbitration and all other issues can be decided by the Government itself according to its own judgment. In case of arbitration also, Government has power to modify the award in the national interest.

Tripartite Bodies. There are a number of tripartite bodies, which operate at the Central and State levels. The Indian Labour Conference, Standing Labour Committees, Wage Boards and Industrial Committees operate at the Central level and State Labour Advisory Boards operate at the State level. All these bodies play an important role in reaching at voluntary agreements on various labour matters. Though the recommendations of these bodies are only advisory in nature they carry considerable weight with the government, workers and employers. Some important measures agreed to by the Indian Labour Conference in the past are:

- Setting up of bipartite works committees, joint consultative and production committees;
- Adoption by employers and unions of voluntary code of discipline;
- Following proper grievance and disciplinary procedures;
- Deciding norms for fixing need-based wages;
- Rationalising and revising wage structures of important industries through non-statutory wage boards; and
- Encouraging voluntary arbitration for the settlement of industrial disputes.

A number of industrial committees have been set up for various industries such as plantations, cotton textiles, jute coal mining, cement, iron and steel, banking, road transport, etc. These committees discuss problems specific to each industry and submit their reports to the Indian Labour Conference.

Statutory Level

The Industrial Disputes Act, 1947, makes important provisions both for preventing industrial disputes and for settling them.

The Act tries to prevent disputes by

(1) giving a list of unfair labour practices and making them punishable,

(2) regulating strikes and lockouts,

(3) laying down law relating to lay off, retrenchment and closure, and

(4) prohibiting change in conditions of service of a worker.

Following is a brief description of each of the above points.

Unfair Labour Practices

Formerly the Code of Discipline (which has been described under the voluntary machinery above) was the only document, which contained a reference to these practices. Now Section 2 (r a) of the Industrial Disputes Act (which has been inserted by the Amendment Act of 1982 and brought into force from 21-8-84) defines unfair labour practices as the those which are specified in the Fifth Schedule to the Act thus:

On the part of employers and their unions

1. To interfere with, restrain from, or coerce workmen in the exercise of their right to organise, form, join or assist a trade union or to engage in concerted activities for the purposes of collective bargaining or other mutual aid or protection, that is to say:
   (a) threatening workmen with discharge or dismissal, if they join a trade union;
   (b) threatening a lock-out or closure, if trade union is organised;
   (c) granting wage increase to workmen at crucial periods of trade union organisation, with a view to undermining the efforts to the trade union at organisation.
2. To dominate, interfere with or contribute support, financial or otherwise, to any trade union, that is to say:
   (a) an employer taking an active interest in organizing a trade union of his workmen; and
   (b) an employer showing partiality or granting favour to one of several trade unions attempting to organise his workmen or to its members, where such a trade union is not a recognised trade union.
3. To establish employer-sponsored trade union of workmen.
4. To encourage or discourage membership in any trade union by discriminating against any workmen, that is to say:
   (a) discharging or punishing a workman, because he urged other workmen to join or organise a trade union;
   (b) discharging or dismissing a workman for taking part in any strike (not being a strike which is deemed to be an illegal strike under this Act):
   (c) changing seniority rating of workmen because of trade union activities:
   (d) refusing to promote workmen to higher posts on account of their trade union activities;
   (e) giving unmerited promotions to certain workmen with a view to creating discord amongst other workmen, or to undermine the strength of their trade union;
   (f) discharging office-bearers or active members of the trade union on account of their trade union activities.
5. To discharge or dismiss workmen;
   (a) by way of victimisation;
   (b) not in good faith, but in the colourable exercise of the employer's rights;
   (c) by falsely implicating a workman in a criminal case on false evidence or on concocted evidence;
   (d) for patently false reasons;
   (e) on untrue or trumped up allegation of absence without leave;

(f) in utter disregard of the principles of natural justice in the conduct of domestic enquiry or with undue haste;

(g) for misconduct of a minor or technical character, without having any regard to the nature of the particular misconduct or the past record or service of the workman, thereby leading to a disproportionate punishment.

6. To abolish the work of regular nature being done by workmen, and to give such work to contractors as a measure of breaking a strike.
7. To transfer a workman mala fide from one place to another, under the guise of following management policy.
8. To insist upon individual workmen, who are on legal strike, to sign a good conduct bond as a precondition to allowing them to resume work? (But if the work the workman who is on strike has also indulged in violence and sabotage, the employer may insist for a good conduct bond.)
9. To show favouritism or partiality to one set of workers regardless of merit.
10. To employ workmen as "badlis", casuals or temporaries and to continue them as such for years, with the object of depriving them of the status and privileges of permanent workmen.
11. To discharge or discriminate against any workman for filing charges or testifying against an employer in any enquiry or proceeding relating to any industrial dispute.
12. To recruit workmen during a strike which is not an illegal strike.
13. Failure to implement award, settlement or agreement.
14. To indulge in acts of force or violence.
15. To refuse to bargain collectively, in good faith with the recognised trade unions.
16. Proposing or continuing lock-out deemed to be illegal under this Act.

Under Sec.25-U of the Act an employer committing any of the aforesaid unfair labour practice is punishable with imprisonment for a term which may extend to six months or with fine which may extend to one thousand rupees or with both

On the part of workmen and trade unions

1. To advise or actively support or instigate any strike deemed to be illegal under this Act.
2. To coerce workmen in the exercise of their right to self-organisation or to join a trade union or refrain from joining any trade union, that is to say-

   (a) force a trade union or its members to picketing in such a manner that non-striking workmen are physically debarred from entering the work places;

   (b) to indulge in acts of force or violence or to hold out threats of intimidation in connection with a strike against non-striking workmen or against managerial staff.

3. Force a recognised union to refuse to bargain collectively in good faith with the employer.
4. To indulge in coercive activities against certification of a bargaining representative.
5. To stage, encourage or instigate such from of coercive actions as willful "go-slow", squatting on the work premises after working hours or "gherao" of any of the members of the managerial or other staff.
6. To stage demonstrations at the residences of employers or the managerial staff members.
7. To incite or indulge in willful damage to employer's property connected with the industry.
8. To indulge in acts of force or violence or to hold out threats of intimidation against any workman with a view to prevent him from attending work.

The punishment for committing any of these unfair labour practices is the same as in the case of employer.

The above provisions have been criticized on the following grounds:

(a) The list of unfair labor practices has been copied from the Maharashtra Recognition of Trade Unions and Prevention of Unfair Labour Practices Act, 1971. Though there is no Central law for recognition of a trade union still the words "recognised trade union of the Maharashtra Act have not been deleted while copying from that Act and they appear in this list also.

(b) Section 28 of the Maharashtra Act contains the procedure for dealing with complaints should be filed by the aggrieved party before the Labour Court within a period of 90 days and on receipt of such a complaint, the Court shall get it investigated by an Investigation Officer. If on receipt of the report of the Investigation Officer, the Court finds that the complaint has not been settled satisfactorily and that the facts and circumstances of the case require that the matter be further considered by the Court, it shall proceed to consider it and give its decision. No such authority or procedure has been prescribed in the Industrial Disputes Amendment Act of 1982.

In the absence of any other authority the complaints in respect of unfair labour practice are likely to be made before a Metropolitan or First Class Judicial Magistrate under Sec.34 of the Act. It is felt that the parties may face difficulties in getting correct decisions from such Magistrates who are generally not well conversant with the labour laws.

Regulation of Strikes and Lockouts

Employees do not have an unfettered right to go on strike nor do employers have such right to impose lockout. The Industrial Disputes Act lays down several restrictions on the rights of both the parties. A strike or lockout commenced or continued in contravention of these restrictions is termed illegal and there is severe punishment provided for the same.

Illegal strikes and lockouts are of 2 types:

(i) Those which are illegal from the time of their commencement; and

(ii) Those which are not illegal at the time of commencement but become illegal subsequently.

Sections 22 and 23 of the IDA provide for certain restriction which if not followed make strikes and lockout illegal from their very commencement.

Section 22 regulates strikes and lockouts in public utility services only. According to this section, no person employed in public utility service shall go on strike in breach of contract-

(a) without giving notice of strike to the employer, as hereinafter provided, within 6 weeks before striking; or

(b) within fourteen days of giving such notice; or

(c) before the expiry of the date of strikes specified in any such notice as aforesaid; or

(d) during the tendency of any conciliation proceedings before a Conciliation Officer and seven days after the conclusion of such proceedings.

No employer carrying on any public utility service shall lockout any of his workmen-

(a) without giving them notice of lockout, as hereinafter provided, within six weeks before lockout; or

(b) within fourteen days of giving such notice; or

(c) before the expiry of the date of lockout specified in any such notice as aforesaid; or

(d) during the tendency of any conciliation proceedings before a Conciliation Officer and seven days after the conclusion of such proceedings.

The notice of lockout or strike under this section shall not be necessary where there is already in existence a strike or, as the case may be, lockout in the public utility service, but the employer shall send intimation of such lockout or strike on the day on which it is declared, to such authority as may be specified by the appropriate Government either generally or for a particular area or for a particular class of public utility services.

Section 23 provides for general prohibition of strikes and lockouts and is applicable to both utility and non-utility services. According to this section no workman who is employed in any industrial establishment shall go on strike in breach or contract and no employer of any such workman shall declare a lockout-

(a) during the tendency of conciliation proceedings before a Board and seven days after the conclusion of such proceedings;

(b) during the tendency of proceedings before a Labour Court, Tribunal or National Tribunal and 2 months after the conclusion of such proceedings;

(c) during the tendency of arbitration proceedings before an arbitrator and 2 months after the conclusion of such proceedings, where a notification has been issued under sub-section (3-A) of Sec. 10-A; and

(d) during any period in which a settlement or award is in operation in respect of any of the matters covered by the settlement or award.

Sub-section (3) of Section 10 provides:

Where an industrial dispute has been referred to a Board, Labour Court, Tribunal or National Tribunal under this section the appropriate government may, by order, prohibit the continuance of any strike or lock-out in connection with such disputes which may be in existence on the date of the reference.

Similarly sub-section 4-A of Sec.10-A provides:

Where an industrial dispute has been referred to arbitration and a notification has been issued under sub-section 3(A), the appropriate government may, by order, prohibit the continuance of any strike or lock-out in connection with such disputes which may be in existence on the date of the reference.

If a strike or lockout is continued in contravention of a prohibitory order issued under Section 10(3) or Section 10-A(4-A) it becomes illegal under Sec.24.

Consequence of Illegal Strike or Lockout. (a) Section 26 (1) prescribes punishment to a workman for commencing, continuing or otherwise acting in furtherance or a strike which is "illegal" under Section 24 of the IDA. The penalty in this case is imprisonment of a term, which may extend to one month, or fine which may extend to fifty rupees, or both. Section 26(2) prescribes punishment to an employer who commences, continues or otherwise acts in furtherance of an illegal lockout. The employer is punishable with imprisonment for a term, which may extend up to one month or with fine up to one thousand rupees or with both.

Any person who instigates or incites others to take part in, or otherwise acts in furtherance of, a strike or lockout which is illegal under this Act, shall be punishable with imprisonment for a term which may extend to six months, or with fine which may extend to one thousand rupees or with both (Sec.27).

Any person who knowingly expends or applies any money in direct furtherance or support of any illegal strike or lockout shall be punishable with imprisonment for a term which may extend to six months, or with fine which may extend to one thousand rupees, or with both (Sec.28).

Section 35 of the Act gives protection to persons refusing to take part in an illegal strike and lockout. According to this section no person refusing to take part or to continue to take part in any strike or lock-out which is illegal under this Act shall by reason of such refusal or by reason of any action taken by him under this section, be subject to expulsion from any trade union or society, or to any fine or penalty, or to deprivation of any right or benefit to which he or his legal representatives would otherwise be entitled, or liable to be placed in any respect either directly or indirectly, under any disability or at any disadvantage, as compared with other members of the union or society, anything to the contrary in the rules of a trade union or society notwithstanding.

Justified Strike and Lockout. In order to entitle the workman to wages for strike period, the strike should be legal as well as justified,. In other words, if the strike is only legal but not justified or if the strike is illegal though justified, the workers are not entitled to the wages for the strike period. In a series of decisions the Courts and Tribunal have provided guidelines for determining whether a strike is justified or not.

A strike has been held to be justified when it was resorted to:

- to press the demands of workers which according to community standards are unreasonably high;
- immediately on failure of conciliation proceedings without waiting for reference;
- without exhausting the remedies provided under the IDA;
- to protest against assault of co-workers by the officers of the company even after the assurance given by the management to inquire into the incident of assault or any other grievance of the workmen:
- even when the management was prepared from the beginning to settle the dispute through conciliation, adjudication or arbitration;
- to force arbitration;
- when the staff association was hasty;
- by using violence or acts of sabotage.

Law relating to Layoff, Retrenchment and Closure

Layoff. According to Section 2 (kkk) layoff means the failure, refusal or inability of an employer to give employment to a workman on account of:

(a) shortage of coal, power or raw materials, or

(b) the accumulation of stocks, or

(c) the breakdown of machinery, or

(d) natural calamity, or

(e) for any other connected reason.

Every workman whose name is borne on the muster rolls of the industrial establishment and who presents himself for work at the establishment at the time appointed for the purposed during normal working hours on any day and is not given employment by the employer within two hours of his so presenting himself is deemed to have been laid off for that day within the meaning of this clause:

Provided that if the workman, instead of being given employment at the commencement of any shift for any day is asked to present himself for the purpose, during the second half of the shift for the day and is given employment, then he is deemed to have laid off only for one-half of that day:

Provided further that if he is not given any such employment, even after so presenting himself, he is deemed to have been laid off for the second half of the shift for the day and is entitled to full basic wages and dearness allowance for that part of the day.

Layoff should be distinguished from lockout. Lockout is an instrument of economic coercion. It is a means to an end not an end in itself. Further, in the case of a layoff the employer is statutorily bound to pay compensation to the workers but it is not so in the case of lockout where it is discretionary for the Tribunals to grant wages for the period of lockout depending upon the situation.

Section 25-M prohibits layoff without prior permission of the appropriated government in case of an industrial establishment (not being an establishment of a seasonal character or in which work is performed only intermittently) in which not less than one hundred workmen were employed on an average per working day for the preceding 12 months unless such layoff is due to shortage of power or to natural calamity, and in the case of a mine, such layoff is due also to fire, flood, excess of inflammable gas or explosion.

For the purposes of this section, a workman shall not be deemed to be laid off by an employer if such employer offers any alternative employment (which in the opinion of the employer does not call for any special skill or previous experience and can be done by the workman) in the same establishment from which he has been laid off or in any other establishment belonging to the same employer, situate in the same town or village, or situate within such distance from the establishment to which he belongs that the transfer will not involve undue hardship to the workman having regard to the facts and circumstances of his case, provided that the wages which would normally have been paid to the workman are offered for the alternative appointment also.

Section 25-C provides for statutory compensation to be paid to a laid-off worker (other than a badli workman or a casual workman) equal to 50% of the total of the basic wage and dearness allowance, for all days during which he is laid off, provided he has employed continuous service of one year or more. However, if during any period of 12 months, a workman is so laid off for more than 45 days, no such compensation is payable in respect of any period of the layoff after the expiry of the first 45 days, if there is an agreement to that effect between the workman and the employer.

In case of establishments employing less than 100 but not less that 50 workers, a laid-off worker is not entitled to compensation if –

(i) he refuses to accept any alternative employment in the same establishment from which he has been laid off, or in any other establishment belonging to the same employer situate in the same town or village or situate within a radius of five miles from the establishment to which he belongs, if in the opinion of the employer, such alternative employment does not call for any special skill or previous experience and can be done by the workman: provided that the wages which would normally have been paid to the workman are offered for the alternative employment also;

(ii) he does not present himself for work at the establishment at the appointed time during normal working hours at least once a day;

(iii) such laying-off is due to a strike or slowing down of production on the part of workmen in another part of the establishment.

Retrenchment. According to Section 2 (OO), "retrenchment" means the termination by the employer of the service of a workman for any reason whatsoever, otherwise than as a punishment inflicted by way of disciplinary action, but does not include –

(a) voluntary retirement of the workman; or

(b) retirement of the workman on reaching the age of superannuation if the contract of employment between the employer and the workman concerned contains a stipulation in that behalf; or

(c) termination of the service of a workman on the ground of continued ill-health; or

(d) termination of the service of the workman as a result of the non-renewal of the contract of the employment between the employer and the workman concerned on its expiry or of such contract being terminated under a stipulation in that behalf contained therein.

Retrenchment differs from layoff in two respects. First, retrenchment is a permanent measure to remove surplus labour, layoff is a temporary measure. Second, whereas there is a subsisting employer-workman relationship during layoff that relationship is terminated in the case of retrenchment.

The Industrial Disputes Act, 1947 lays down two standards in respect of retrenchment: (i) Section 25-F which is applicable to those industrial establishments in which less than one hundred workmen have been employed on an average per working day for the preceding 12 months, and (ii) Section 25-N which is applicable to those industrial establishments in which one hundred or more workmen have been employed on an average per working day for the preceding twelve months.

Under Sec. 25-F no workman who has been in continuous service for not less than one year under an employer shall be retrenched by that employer until –

(a) the workman has been given one month's notice in writing indicating the reasons for retrenchment and the period of notice has expired, or the workman has been paid in lieu of such notice, wages for the period of the notice;

(b) the workman has been paid, at the time of retrenchment, compensation which shall be equivalent to fifteen days' average pay for every completed year of continuous service or any part thereof in excess of six months; and

(c) notice in the prescribed manner is served on the appropriate government or such authority as may be specified by the appropriate government by notification in the Official *Gazette.*

Under Section 25-N no workman who has been in continuous service for not less than one year under an employer shall be retrenched by that employer until –

(a) the workman has been given 3 months' notice in writing indicating the reasons for retrenchment and the period of notice has expired, or the workman has been paid in lieu of such notice, wages for the period of the notice;

(b) the prior permission of the appropriate government or such authority as may be specified by that government by notification in the Official *Gazette* has been obtained on an application made in this behalf. A copy of the application should also be served simultaneously on the workman concerned in the prescribed manner.

On receiving the application the appropriate government or the specified authority makes such enquires as it thinks fit, gives hearing to the employer and the workman and finally grants or refuses to grant permission to retrench the workman. The decision (whether yes or no) should be communicated to the employer within a period of 60 days from the date of application failing which it shall be assumed that the permission for retrenchment has been granted.

A workman is deemed to be illegally retrenched where the employer has not sought permission for his retrenchment or where the employer had sought permission but it was refused. Under such a case the workman is entitled to all the benefits as if no notice of retrenchment had been given to him. Further, the employer is punishable with imprisonment for a term which may extend to one month, or with fine which may extend to one thousand rupees or with both.

A legally retrenched worker is entitled to receive compensation equivalent to fifteen days' average pay for every completed year of continuous service or any part thereof in excess of six months.

According to Sec. 25-G, in the absence of any agreement to the contrary, an employer must ordinarily follow the *'last come, first go'* rule in retrenching workers. The man who has come last should go first. But, the employer may deviate from this rule on grounds of inefficiency and untrustworthiness of a worker. In such a case he may retrench a senior worker and retain a junior worker who is more efficient, regular and reliable.

Closure. According to Section 2 (CC), 'closure' means the permanent closing down of a place of employment or part thereof. Section 25-FFA requires an employer intending to close down an undertaking to serve a notice in the prescribed manner on the appropriate government or a prescribed authority at least 60 days before the date on which the intended closure is to become effective stating the reasons for the intended closure of undertaking.

This provision, however, is not applicable to –

(a) An undertaking in which: (i) Less than 50 workmen are employed; or (ii) Less that 50 workmen are employed on an average per working day in the preceding 12 months.

(b) An undertaking set up for the construction of buildings, bridges, roads, canals, dams or for other construction work or project.

Where an undertaking is closed down for any reason whatsoever, Section 25-FFF imposes a liability on the employer to give to every workman who has been in continuous service for not less than one year in that undertaking one month's notice and compensation equal to fifteen days' average pay for every completed year of continuous service or any part thereof in excess of six months. But in case of closure on account of unavoidable circumstances beyond the control of employer, the compensation to be paid to the workman shall not exceed his average pay for three months. The explanation of Section 25-F (i) provides that an undertaking which is closed down by reason merely of:

(i) financial difficulties (including financial losses); or

(ii) accumulation of undisposed stocks; or

(iii) the expiry of the period of the lease or licence granted to it; or

(iv) in a case where the undertaking is engaged in mining operation exhaustion of the minerals in the area in which such operations are carried on;

shall not be deemed to be closed down on account of unavoidable circumstances beyond the control of the employer within the meaning of the proviso to this sub-section.

The Act imposes further restrictions on the power of the management employing 100 or more workmen to close down the undertakings. Thus, Section 25-O requires the employer to apply to the appropriate government for prior permission at least ninety days before the date on which the intended closure is to become effective. A copy of the application should also be served simultaneously on the representatives of the workmen in the prescribed manner. After making enquiry and hearing the parties, the appropriate government may either grant or refuse to grant the permission to close down, in either case the decision should be communicated to the employer within 60 days from the date of application failing which the permission shall be deemed to have been granted.

A closure of an undertaking if done without permission or despite the refusal is illegal and the workmen in such a case are entitled to all the benefits as if the undertaking had not been closed down. Further, the employer is punishable with imprisonment for a term which may extend to 6 months or with fine which may extent to five thousand rupees, or with both.

Change in Conditions of Service

According to Sec. 9A of the Industrial Disputes Act, an employer cannot effect any change in the conditions of service of a worker in respect of the following matters (Schedule IV of the Act) without giving to the worker a 21 days' notice in the prescribed form. No notice is, however, required if the change is being effected in pursuance of any settlement, award or any rule or regulation notified by the appropriate government in the Official *Gazette*.

(1) Wages including the period and mode of payment;

(2) Contributions payable by employer to provident fund, pension fund or any other fund for benefit of the workmen;

(3) Hours of work and rest intervals;

(4) Leave with wages and holidays;

(5) Starting, alteration or discontinuance of shift working other than in accordance with standing orders;

(6) Compensatory and other allowances;

(7) Classification by grades;

(8) Withdrawal of any customary concession, privilege or change in usage;

(9) Introduction of new rules of discipline, alteration of existing rules, except is so far as they are provided in the standing orders;

(10) Rationalisation, standardization or improvement of plant techniques which is likely to lead to retrenchment;

(11) Any increase or reduction in the number of persons employed or to be employed (not occasioned by circumstances over which employer has no control).

If no objection is received from the workman till the expiry of the notice period, the employer may effect the proposed change after the notice period. But if the proposed change is not acceptable to the concerned workman, he may raise an industrial dispute before the conciliation officer. If no settlement is arrived at during the conciliation proceedings and if on the report of the conciliation officer the appropriate government finds it a fit case to refer for adjudication the matter may be so referred to the Industrial Tribunal or Labour Court. In that case any change in condition of service can be made by the employer only according to the award of such Tribunal / Court.

The Act provides for the setting up of the following authorities for the settlement of industrial disputes:

	Authority	*Mode*
1.	Works Committee	Consultation
2.	Conciliation Officers	
3.	Boards of Conciliation	Conciliation
4.	Court of Enquiry	Enquiry
5.	Labour Court, Tribunal and National Tribunal	Adjudication

A brief description of the above machinery now follows.

1. Works Committee: The appropriate government may require the employer to set up a works committee in respect of such industrial establishment in which one hundred or more workmen are employed or have been employed on any day in the preceding twelve months. The works committee must be composed of representatives of employers and workmen engaged in the industrial establishment in equal number. So far as the representatives of the workmen are concerned they must be chosen in the prescribed manner from among the workmen engaged in that industrial establishment and in consultation with their trade union, if any, registered under the Indian Trade Unions Act, 1926. In other words, an unregistered trade union has no statutory right to be consulted on the question of representation of workmen to the works committee. Where the appropriate government is the Central Government, the number of members constituting the committee shall not exceed twenty. The term of office of the representatives on the committee shall be two years [Rule 52 of the Industrial Disputes (Central) Rules, 1957].

A works committee is purely a *consultative* body. Its primary duty is to promote measures for securing and preserving amity and good relations between the employer and workmen and, to that end, to *comment upon* matters of their common interest or concern and endeavour to compose any material difference of opinion in respect of such matters. Thus a works committee's task is only to smooth away frictions that might arise between the workmen and the management in day-to-day work. Its jurisdiction is not well defined. This has made works committees ineffective and imbecile at many places.

2. Conciliation Officer: Conciliation Officer is appointed by the appropriate government by notification in the Official *Gazette*. At the State level, it is usually the Commissioners of Labour, Additional Commissioners and the Deputy Commissioners of Labour who are appointed as conciliation officers for disputes arising in undertakings employing more than 20 workmen. Labour Officers act as conciliation officers for disputes arising in undertakings employing less than 20 workmen. The conciliation proceedings for disputes arising in industries for which the Central Government is the appropriate authority are undertaken by the State Branch officers of the Central Labour Commissioner's Office, New Delhi.

The work of a conciliation officer is to induce both the parties to the dispute to come to a fair and amicable settlement. For this purpose he goes from one camp to the other and finds out the greatest common measure of agreement. The term 'mediation' is sometimes used for conciliation but this is not correct because the two terms have different connotations. In mediation the disputant negotiate with each other on the basis of the proposals. In neither case can the third party impose a settlement.

A conciliation officer's intervention in a dispute may be either mandatory or discretionary. It is mandatory where the dispute is related to some public utility services in respect of which a notice of strike or lock-out according to law has been received by him. It is discretionary where the dispute is related to some non-public utility service undertakings or to public utility service undertakings where no notice of strike or lock-out has been received by him. It has, however, become conventional for conciliation officers to intervene in almost all disputes.

On receiving notice or information about a dispute, a conciliation officer should give formal intimation in writing to the parties concerned of his intention to commence conciliation proceedings from a specified date. He should then start doing all such things as he thinks fit for the purpose of inducing the parties to come to a fair and amicable settlement of the dispute. Conciliation is an art where the skill, tact, imagination and even personal influence of the conciliation officer affect his success. The Industrial Disputes Act, therefore, does not prescribe any procedure to be followed by him.

A conciliation officer is required to submit his report to the appropriate government along with the copy of the settlement arrived at in relation to the dispute or in case conciliation has failed, he has to send a detailed report giving out the reasons for failure of conciliation. The report in either case must be submitted within 14 days of the commencement of conciliation proceedings or earlier. But the time for submission of the report may be extended by an agreement in writing of all the parties to the dispute subject to the approval of the conciliation officer.

If an agreement is reached (popularly called the memorandum of settlement) it remains binding for such period as is agreed upon by the parties, and if no such period is agreed upon, for a period of 6 months from the date on which the memorandum of settlement is signed by the parties to the dispute, and continues to be binding on the parties after the expiry of the period aforesaid, until the expiry of 2 months from the date on which a notice in writing of an intention to terminate the settlement is given by one the parties of the other party or parties to the settlement.

The settlement arrived at in the conciliation proceedings is binding on the following 4 categories of persons.

a. all parties to the industrial dispute;

b. all other parties summoned to appear in the proceedings as parties to the dispute;

c. where a party referred to in point (1) or (2) above is an employer, his heirs, successors or assignees in respect of the establishment to which the dispute relates; and

d. where a party referred to in point (1) or (2) is composed of workmen, all persons who were employed in the establishment to which the dispute relates on the date of the dispute and all persons who subsequently become employed in that establishment.

This means that if any one union in the establishment has signed the settlement members of all other rival unions in the establishment also become bound by it. It may be noted here that this is not so in the case of a collective bargaining agreement which binds only members of the union which has signed the agreement.

The Act prohibits a strike or a lock-out both during conciliation proceedings and for 7 days after the conclusion of such proceedings.

Conciliation has certain advantages:

(a) In this method each party has the satisfaction that it itself is the architect of its own solution.

(b) In this method parties save a lot of time and expense. Both the workers and the employer reach at mutually acceptable solutions quickly because they know that a bird in hand is always better than two in the bush.

(c) In this method settlement is binding on all workmen, unlike direct agreement which is binding only on the parties which have signed it.

(d) In this method settlement is final, unlike an award which is open for further litigation by way of writ petition or appeal.

Some drawbacks of this method are as follows:-

First, in case of non-public utility services workers can go on strike even during pendency of conciliation proceedings. *Secondly,* at times, workers pitch their demands very high and the Conciliation Officer tries to get something for them irrespective of merits of the demand. At times, settlements arrived at during conciliation proceedings, are on unreasonable propositions. Sometimes influential persons put pressure on Conciliation Officer to get something for workers from the management. *Thirdly,* when a Conciliation Officer reports to the Government that a dispute raised by a union was not worth referring for adjudication, at times, questions are raised in Assembly / Parliament and there is no one to defend him. So he adopts shortcut by referring almost every dispute for adjudication. *Fourthly,* employers are not usually frank and are hesistant to make offers in conciliation proceedings for settlement, because they feel in case the dispute is referred for adjudication, the offer made during conciliation proceedings may be taken as a starting point for bargaining by the workmen.

3. Board of Conciliation. The appropriate government may be notification in the Official *Gazette* constitute a Board of Conciliation for promoting settlement of an industrial dispute. The Board must consist of a chairman and two or four other members as the appropriate government thinks fit. So far as the chairman is concerned he must be an independent person. But as regards other members, they should be persons appointed in equal numbers on the recommendation of the parties to the dispute. Where a party fails to make recommendation within the prescribed time, the appropriate government must appoint such persons as it thinks fit to represent that party. The machinery of the Board is set in motion when a dispute is referred to it. In other words, the Board does not hold the conciliation proceedings of its own accord.

On the dispute being referred to the Board it is the duty of the board to do all things as it thinks fit for the purpose of inducing the parties to come to a fair and amicable settlement. The Board must submit its report to the government within two months of the date on which the dispute was referred to it. This period can be further extended by the government by two months.

4. Court of Enquiry: The Act empowers the appropriate government to constitute a court of enquiry to inquire into any matter appearing to be connected with or relevant to an industrial dispute. It is the duty of the court of enquiry to inquire into the matters referred to it and submit its report to the appropriate government ordinarily within 6 months from the commencement of the inquiry. This period is, however, not mandatory. The Act requires that the report of the court shall be published by the government within 30 days of its receipt.

The main difference between a Board and a Court lies in the object with which these are constituted. In the case of a Board the fundamental object is *to promote the settlement of an industrial dispute,* on the other hand, in the case of a Court the primary object is *to inquire into and reveal the causes* of an industrial dispute. A Court is no more than a fact-finding machinery. It does not care much for promoting the settlement of a dispute.

5. Labour Court, Industrial Tribunal and National Tribunal: The final phase in the settlement of disputes (which are not settled either through bipartite negotiations or through the good offices of the conciliation machinery, or through voluntary arbitration) is compulsory arbitration or adjudication. The Industrial Disputes Act provides for a three-tier system for adjudication of industrial disputes. The machinery provided under the Act consists of Labour Courts, Industrial Tribunals and National Tribunals.

Above authorities acquire jurisdiction to adjudicate in a dispute under the order of reference issued by the appropriate government under Section 19(1)(c) or 10(1)(d) or 10(1A) of the Industrial Disputes Act. Thus, the appropriate government plays a direct role in regulating industrial relations through adjudication. It is only when the appropriate government is of the opinion that an industrial dispute exists or is apprehended that it may, by an order in writing at any time, refer the dispute for adjudication and then only the adjudicating authority acquires the jurisdiction to deal with the dispute so referred. However, there are two situations when it is obligatory for the appropriate government to make a reference to adjudication. One, when both the parties to a dispute apply in the prescribed manner either jointly or separately, for a reference, the appropriate government has to refer the dispute to adjudication provided it is satisfied that the persons applying represent the majority of each party. Two, when the dispute relates to a public utility service and notice of strike or lockout according to law has been given, the appropriate government has to make a reference to adjudication. However, if the appropriate government considers that the notice of strike or lock-out is frivolously or vexatiously given or it is enexpedient to make a reference, no such reference may be made. The opinion of the appropriate government is very material here.

Though there is no restriction as to the stage at which a dispute may be referred to adjudication, in the normal course, adjudication reference is made when after the failure of conciliation proceedings arbitration is not accepted by the parties. However, there is no limit for referring an industrial dispute to adjudication by the appropriate government after receipt of the failure report from conciliation officer. As a result the disputes are sometimes kept pending by the appropriate government for 2 to 3 years and then belated references are made. It is, therefore, desirable to prescribe a time limit for making a reference by amending the I.D. Act.

Whereas a Labour Court or an Industrial Tribunal can be constituted by an appropriate government (which m be the Central or State Government), a National Tribunal can be constituted only by the Central Governmen notwithstanding whether the subject-matter referred to pertains to the State Government or the Central Government.

Labour Courts can be constituted for dealing with the following matters (as set out in the Second Schedule) and for performing such other functions as may be assigned to them under the Act:

1. The propriety or legality of an order passed by an employer under the standing orders;
2. The application and interpretation of standing orders;
3. Discharge or dismissal of workmen including reinstatement of or grant of relief to workmen wrongfully dismissed;
4. Withdrawal of any customary concession or privilege;
5. Illegality or otherwise of a strike or lock-out; and
6. All matters other than those specified to be within the jurisdiction of Industrial Tribunals.

Industrial Tribunals can be constituted for dealing with the following matters (as set out in the Third Schedule) in addition to all those matters which fall within the jurisdiction of a Labour Court;

1. Wages, including the period and mode of payment;
2. Compensatory and other allowances;
3. Hours of work and rest intervals;
4. Leave with wages and holidays;
5. Bonus, profit-sharing, provident fund and gratuity;
6. Shift working, otherwise than in accordance with standing orders;
7. Classification by grades;
8. Rules of discipline;
9. Rationalisation;
10. Retrenchment of workmen and closure of establishment; or
11. Any other matters that may be prescribed.

A National Tribunal can be constituted by the Central Government to deal with a dispute which in the opinion of the Central Government involves a question of national importance or is of such a nature that industrial establishments situated in more than one State are likely to be interested in or affected by such dispute. The Subject-matter of this dispute may relate matters covered by the Second or Third Schedule.

All the three types of courts must consist of one presiding officer only to be appointed by the appropriate government.

Labour Courts and Tribunals are not required to submit award to the appropriate government within 30 days from the date of its receipt. Unless declared otherwise by the appropriate government within the time specified in the order of reference which must not exceed three months in the case of individual disputes.

Every award of a Labour Court, Industrial Tribunal or National Tribunal must be published by the appropriate government within 30 days from the date of its receipt. Unless declared otherwise by the appropriate government every award shall come into force on the expiry of 30 days from the date of its publication and shall remain in operation for a period of one year thereafter.

Adjudication has rendered good service to the working class in this country. It has helped in standardizing their service conditions particularly when our labour unions are not strong and their bargaining power is very weak. But some critics allege that adjudication has proved to be the worst enemy of the working class inasmuch as it has seriously hampered the growth of collective bargaining in the country by making workers dependent on it. One of the most ardent supporters of collective bargaining in Indian was V.V.Giri who always used to plead to substitute collective bargaining for compulsory adjudication. This came to be known as the Giri approach. Speaking at the 12th Session of the Indian Labour Conference in 1952 as then Union Labour Minister, he observed:

"When one party has lost and the other won, the victor and the vanquished get back to their work in a sullen and resentful mood towards each other; and neither can forget or forgive. The loser awaits the next opportunity to make good the loss, while the winner is carried away by sense of victory which is not conducive to co-operation. Such an attitude of suppressed hostility in one party and of satisfaction and triumph in the other may lead to transient truce but not lasting peace."

Following are some points of distinction between adjudication and collective bargaining:

Adjudication	*Collective Bargaining*
1. It is a compulsory method in Which parties are forced to go By the power of the State.	1. It is a voluntary method.
2. In this method a decision is imposed by a third party.	2. In this method the decision is Bilaterally arrived at.
3. In this method the basis of a decision is law and justice.	3. In this method the basis of a decision is the relative strength of the parties
4. This method is peaceful.	4. This method, with the party's freedom to resort to strike and lockout, may sometimes endanger industrial peace.
5. In this method each party is expected to take a rigid and consistent stand to win its case.	5. In this method each party is expected to take a flexible stand to reach a settlement.

Following are some points of distinction between adjudication and arbitration:

Adjudication	***Arbitration***
1. It is a compulsory method.	1. It is a voluntary method.
2. In this method each adjudicatory body has one presiding officer only.	2. In this method the number of Arbitrators can be one or even more than one.
3. In this method the presiding officer can appoint one or two assessors having special knowledge of the matter to advise him in the proceedings.	3. In this method no such facility exists.
4. In this method only the parties to the dispute present their case.	4. In this method the government may (through notification) even ask parties who are not bound by the arbitration agreement but are concerned in the dispute to present their case before arbitrators.

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Chapter 12
Workers' Participation in Management

Introduction

Human relations school of management thought is generally credited with the evolution of the concept of industrial democracy". Elton Mayo, John Dewey, Kurt Lewin, F.J. Roethlisberger and W.J. Dickson suggested participation of workers in management for better productivity. They were of the opinion that the amount of work done by a worker is not determined by his physical capacity, but by the social norms. Non-financial rewards play an important role in determining the motivation and happiness of the workers. Workers do not react to management and its norms and reward as individuals, but as members of groups. Human relationists also emphasised the role of communication, participation and leadership in the management of organisations.

Management thinkers like Likert, Blake and McGregor emphasised the concept of socio-technical system which lays down the importance of the human side of the enterprise. According to them an organisation which takes into consideration human feelings and aspirations and associates employees with the process of management is likely to be more efficient and healthier as compared to an organisation using the authoritarian ways of managing the employees.

Business enterprises are now considered as important social institutions. Because of their strategic position in the society, the policies and practices of these institutions have to be in conformity with the major societal goals and values. Profit maximisation is not the sole objective of these organisations. This is why Peter Drucker advocated that industrial organisations should have goals broader than profit-making and that they should substantially contribute to the realisation of social goals and values. Democratic way of life being a goal of most of the societies, there is every need for the corporate goals in this respect to be in harmony with this goal. That means, every industrial organisation should try to achieve industrial democracy. In short, developments in the field of social sciences and political ideology concur with the concept of workers' participation in management and industrial democracy.

The modern thinking on management is based on considering workers not merely as wage-earners, but also as equal partners in the productive process. They should be given the opportunity to participate in the management of the enterprise. Their views and suggestions should be given due consideration while taking decisions by the management. It is rightly suggested that management of industrial units will be smooth and efficient if workers are associated with the management. "Political democracy will remain formalistic and legalistic if it is not supplemented by industrial democracy."[1]

Industrial Democracy

The concept of industrial democracy is a complete departure from the traditional concept of autocratic management or one-man rule. It means *the application of democratic principles in managing industrial units.* It is a supplement of political democracy in which all citizens are treated as equal and are allowed to participate freely in the affairs of the State indirectly, *i.e.,* through elected representatives. In industrial democracy, workers are treated as responsible partners of an enterprise and are allowed to participate in the decision-making process through different methods. Workers are given the right of self-expression and an opportunity to communicate their views on framing the policies of the company.

The salient features of industrial democracy are as under:

(i) The workers are treated as partners in the productive process and are given an opportunity to participate in the management.

(ii) Works committees, joint management councils, and suggestion schemes are some methods through which industrial democracy can be introduced at the unit level.

(iii) Workers* participation is generally indirect, *i.e.,* through representatives and also restricted to certain aspects

of management particularly those which are directly related to workers.

(iv) The workers enjoy higher status as they have an effective say in the working of the enterprise where they are working.

Merits of Industrial Democracy

Industrial democracy is expected to bring about the following advantages:

1. Industrial democracy brings effective communication between workers and management, and thereby joint decisions acceptable to both parties are possible.
2. Industrial democracy leads to cordial labour-management relations and industrial peace.
3. Industrial democracy gives higher status to workers and makes them more responsible in their outlook and behaviour.
4. Industrial democracy gives training in democratic norms and traditions to workers through participation in the affairs of their company. This develops the spirit of tolerance and co-operation which is useful in a democratic society. This creates true democratic spirit in the minds of workers and makes political democracy strong and stable
5. Workers feel committed to the decisions taken by them jointly with the management.

Pre-requisites of Industrial Democracy

The concept of industrial democracy is an ideal one, it is very difficult to put it into practice particularly in a developing country like India. The conditions necessary for industrial democracy are as under:

(i) There should be a strong trade union with constructive leadership in every enterprise.

(ii) The employers should have the willingness to treat workers as equal partners in industry.

(iii) All the parties to industrial relations, namely, employers, employees and government should have full faith in industrial democracy. "Industrial democracy will not succeed unless all concerned—workers, employers, government and the public—fully realise its importance and its due place in the national life.

(iv) The workers and management should have the genuine desire to deal with the industrial problems peacefully and through democratic means.

Workers' Participation in Management

There are two distinct groups of people in an undertaking, *viz.*, 'managers' and 'workers' performing respectively two separate sets of functions which are known as 'managerial' and 'operative'. The basic distinction between those who occupy 'managerial' positions and 'workers' is that managers are held accountable for the work of their subordinates, while workers are accountable only for their own work. The extent to which workers may rise to become managers is though an important point, but is quite distinct from whether workers may take part in managerial functions.

Managerial functions are primarily concerned with planning, organising, motivating and controlling in contrast with operative work. A self-employed man may carry out both these functions if the area of his operations is very small. But in case of a big organisation, these functions are to be performed by different sets of people. Workers' participation in management seeks to bridge this gap authorising workers to take part in the managerial process. Actually, this is a very wide view of the term workers' participation in management and this is not practically possible. This issue has been discussed later in this chapter.

Participation may take two forms. It may be : (1) *ascending participation,* and (2) *descending participation.* In case of ascending participation, the workers may be given an opportunity to influence managerial decisions at higher levels through elected representatives to joint councils or the board of directors of the company. But in descending participation, they may be given more powers to plan and to make decisions about their own work *(e.g.* delegation and job enlargement). This form of participation is quite popular in many organisations.

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Definition

The concept of workers' participation in management crystallises the concept of Industrial Democracy, and indicates an attempt on the part of an employer to build his employees into a team, which work towards the realisation of a common objective.

According to Davis, "it is a mental and emotional involvement of a person in a group situation which encourages him to contribute to goals and share responsibilities in them."

Within the orbit of this definition, a continuum, of min management relationship can be conceived:

Workers' Control → Joint Management → Joint Consultation

Work Place Consultation → Management Supremacy

In this continuum, workers' control represents one extreme, which suggests concentration of all powers in workers, and management supremacy represents the other extreme, which implies a zealous defence of managerial prerogatives.

"Workers' participation in management is a resounding phrase, bridging the past and the future. It echoes the millennial vision of nineteenth century thinkers while heralding the evolution of new forms of industrial organisation under twentieth century pressures. The word 'workers' participation' is plentifully supplied with ideas. Institutions and opinions." "there are two groups of people in an undertaking (managerial and operative). Managerial functions are essentially those concerned with planning, organising, motivating, and controlling, in contrast with "doing" or "operative" work.

Mamoria defines it as a *system of communication and consultation either formal or informal by which employees of an organisation are kept informed about the affairs of the undertaking and through which they express their opinion and contribute to management decisions.*

Summary of the Definitions

(a) The participation results from practices, which increase the scope for employee's share of influence in decision-making at different tiers of the organisational hierarchy with concomitant assumption of responsibility.

(b) The participation has to be at different levels of management: *(i)* at the shop level, *(ii)* at the department level, and *(iii)* at the top level. The decision-making at these different levels would assume different patterns in regard to policy formulation and execution.

(c) The participation incorporates the willing acceptance of responsibilities by body of workers. As they become party to the decision-making, the workers have to commit themselves to ensuring their implementation.

(d) The participation is conducted through the mechanism of forums and practices, which provide for association of workers' representatives.

(e) The broad goal of participation is to change basically the organisational aspect of production and transfer the management function entirely to the workers so that management becomes "Auto management."

Formal Vs. Informal

The forms of Workers' participation in Management depend on the differences in the levels of management, the subject-matter of participation, the strength of the union and the pattern of industrial relations. The important forms in which workers could participate in management are collective bargaining, joint decision-making, consultation and information sharing. They may take the form of formal organisations like Works Committees, Joint Management Councils or an informal system, for instance, a supervisor consulting a worker before taking any decision in which the latter is interested.

Different Views

The scope, extent and the successful working of the participative management depends to a great extent on the objectives and the three important factors of the system of industrial relations, viz., the employee, the employer and the government. The objectives as viewed by these three parties contradict with each other in India. The workers expect that Workers, Participation in Management schemes will lead to the is in the maximisation of profit through increased production and minimisation of expenditure. The government expects the scheme to bring about closer association between labour and management and industrial peace. Viramani viewed that it is this variance in the objective of participation as perceived by the three sectors that is responsible for the unsuccessful functioning of schemes of participative management.

Participation and Motivation

Participation provides greater autonomy for subordinates and often leads to increasing motivation for:

(a) Participation permits a more balanced interaction pattern and, therefore, results in less resistance to innovation.

(b) It permits members of the group to unfreeze their attitudes and engage in catharsis.

(c) It permits leaders to reinforce their position. They enhance their status both by taking a leading part in making the decision and through inducing group members to abide by it.

(d) It enables the subordinate to feel that an exchange relationship has been set up since the boss listens to his problems and permits them to be corrected.

(e) It may permit the subordinate to feel that doing the job well provides him with an opportunity to demonstrate skills which he values high, *i.e.,* it provides him an opportunity for achievement from work.

(f) It subjects the individual to certain group pressures to implement the decision, which the group participated in making it.

Essential Conditions for Successful Working of WPM

The success of workers portion in management depends upon the following conditions.

(1) The attitude and outlook of the parties should be enlightened and impartial so that a free and frank exchange of thoughts and opinions could be possible. Where a right kind of attitude exists and proper atmosphere prevails the process of participation is greatly stimulated.

(2) Both parties should have a genuine faith in the system and in each other and be willing to work together. The management must give the participating institution its rightful place in the managerial organisation of the undertaking and implementing the policies of the undertaking. The labour, on the other hand, must also

whole-heartedly co-operate with the management through its trade unions. The foremen and supervisory cadre must also lend their full support so that the accepted policies could implemented without any also lend their full support so that the accepted policies could be implemented without any resentment on either side.

(3) The experiment of labour participation in management must be given a wide publicity in order that the idea of participation is ingrained in the minds of those who are to implement the scheme. Lectures, discussions, film shows, conferences, seminars and other methods of propaganda may be fruitfully employed to create enthusiasm about the scheme among the management as well as the workers.

(4) Participation should be real. The issues related to increase in production and productivity, evaluation of costs, development of personnel, expansion of markets should also be brought under the jurisdiction of the participating bodies. These bodies should meet frequently and their decisions should be timely implemented and strictly adhered to.

(5) Objectives to be achieved should not be unrealistically high, vague or ambiguous but practicable of achievement and clear to all.

(6) Form, coverage, extent and level of participation should grow in response to specific environment, capacity and interest of the parties concerned.

(7) Participation must work as complementary body to help collective bargaining, which creates conditions of work and also creates legal relations.

(8) Institutional participation should be discouraged but such participation should be encouraged through changes in leadership styles, communication process, and inter-personal and inter-group relations.

(9) There should be a strong trade union, which has learnt the virtues of unit and self-reliance so that they may effectively take part in collective bargaining or participation.

(10) Multiple unions in one enterprise should be restricted by legislative measures. Similarly, there should be no multiplicity and duplicacy of bipartite consultative machinery at the plant level.

(11) A peaceful atmosphere should be there wherein there are no strikes and lock0outs, for their presence ruins the employees, harms the interest of the society, and puts the employees to financial losses.

(12) Authority should centralised through democratic management process. The participation should be at one two or at the most three levels.

(13) Programmes of training and education should be developed comprehensively. For this purpose, "labour is to be given education not to the head alone, not to the heart alone, not to the hands alone, but it is educated to the three; to make the workers think, feel and act." Labour is to be educated to enable him to think clearly, rationally and logically; to enable him to feel deeply and emotionally; and to enable him to act in a responsible way. The management at different levels also needs to be trained and oriented to give it a fresh thinking on the issues concerned.

(14) Progressive personnel policies should ensure growth of individual workers within industry and proper policies should exist for selection, promotion, compensation, rewards and discipline.

(15) Management should be prepared to give all information connected with the working of the industry and labour should handle that information with full confidence and responsibility.

(16) The workers should become aware of their responsibilities. The leaders should initiate this in them. Similarly, the top management should make the lower echelons to show a new attitude in the light of the new relationship.

(17) The follow-up action on the decisions of the participating forums should be ensured. The government may also set up a machinery to act as a watch-dog for implementing the scheme.

(18) Effective two-way communication is a must for the success of the programme. The shorter is the time for communication, the greater is the probability of correct interpretation.

Pre-requisites of Workers' Participation

The concept of workers participation is an ideal one, it is very difficult to put it into practice particularly in a developing country like India. The conditions necessary for workers' participation are as under:

(i) There should be a strong trade union with constructive leadership in every enterprise.

(ii) The employers should have the willingness to treat workers as equal partners in industry.

(iii) All the parties to industrial relations, namely, employers, employees and government should have full faith in industrial democracy, "Industrial democracy will not succeed unless all concerned-workers, employers, government and the public-fully realise its importance and its due place in the national life.

(iv) The workers and management should have the genuine desire to deal with the industrial problems peacefully and through democratic means.

Participative management or workers' participation in management is an overworked concept in business and government and an underworked activity. The idea sounds good to most managers, but they are frequently unsure of what to do with it. One reason for this phenomenon is that it is a philosophy difficult to understand and even more difficult to develop in a group. The concept is shrouded with so much vagueness that for different people it has different meanings.

This term is interpreted in many ways by various parties to industrial relations, namely, workers, management and government. Managers generally interpret it merely as *joint consultation prior to decision-making*. This is a very narrow view of the term participation. Workers normally think of it as equivalent to *co-decision or co-determination in the spheres of managerial functions.*

Many industrial relations experts regard it as *association of labour with management* without the final authority or responsibility in the general area of managerial functions. To them, it means sharing in an appropriate manner the decision-making power with the lower ranks of the organisation. Thus, *workers' participation in management means giving scope for workers to influence the managerial decision-making process at different levels by various forms in the organisation.* The principal forms through which workers participate are information sharing, joint consultation and suggestion schemes.

Participation and involvement of workers in the management of industry is practiced in most countries of the world. In Yugoslavia it is called self-management while in Germany it is known as co-determination. The International Labour Organisation (ILO) has been encouraging member nations to promote the schemes of workers' participation in management.

Concept of Workers' Participation in Management

Different authorities define and interpret workers' participation in management in different ways. For example, employers interpret it as the joint consultation prior to decision making. Employees consider it as equivalent to co-decisions, while experts often regard it as association of labour without the final authority or responsibility in decision-making process. According to Keith Davis participation refers to the mental and emotional development of a person in a group situation which encourages him to contribute to group goals and share in the responsibility of achieving them."[1] It is a process by which authority and responsibility of managing industry are shared with workers.

In the words of Mehtras, "the concept of participation as a principle of democratic administration in an industry implies a share by rank and file in the decision-making process of an industrial organisation through their representatives at all the appropriate levels of management in the entire range of managerial action."[2]

From these definitions the following features of workers' participation in management can be identified.

(i) Participation means mental and emotional involvement rather than mere physical presence. It is more than consent or approval to managerial actions.

(ii) Workers participate in management not as individuals but collectively as a group through their representatives.

(iii) Workers' participation in management is based on the theory that a worker invests his labour and ties his fate to his place of work. Therefore, he has a legitimate right to share in the determination of company policy.

(iv) Workers' participation in management may be formal or informal. In both the cases, it is a system of communication and consultation whereby employees express their opinions and contribute to managerial decisions. They are kept informed of the company's affairs.

(v) Workers' participation should be distinguished from collective bargaining. The former is based on mutual trust, information sharing and mutual problem solving. On the other hand, collective bargaining is essentially based on power play, pressure tactics and negotiations.

(vi) There can be four level of participation – shopfloor, plant, department and corporate levels.

(vii) There are four degrees of participation:

(a) Communication: It involves sharing information about all management decisions with workers.

(b) Consultation: Under it workers express their views on work related issues. Final decisions are taken by management after consultations.

(c) Codetermination: Herein managers and workers jointly take decisions.

(d) Self-management: In it, workers enjoy complete autonomy right from decision-making to execution.

Nature of Workers' Participation

A review of management literature on participation reveals that (since Elton Mayo first advocated the idea) three schools of thought have emerged. The first looks at participation as a process of decision-making in which subordinates are allowed to have a 'say' in or "to influence" the decision-making. The second views participation as actual decision-making by the workers and no merely having a "say" in it or influencing it. The third views it as a process in which subordinates exercise 'control' on decision-making mechanism. A brief exposition of these three schools of thought is given below:

1. **Influencing through Information Sharing.** According to the first view, participation takes place when the management solicits the opinion of workers before taking a decision. In other words, management merely provides an opportunity to the workers for 'influencing' or 'having a say' in decision making. The decisions are ultimately taken by the management. Thus, the workers play a passive role in the process of decision-making as they have no final say in the decisions taken by the management.

2. **Joint Decision-making.** This school holds that participation of an individual in something occurs when he actively takes a part in that thing. The focus here is that there must exist "taking part actively". It is this point that this school differs from "influence" interpretation of participation. In case of 'influence' or 'having a say', the participation is of passive nature. But in case of joint decision-making the workers are active participants in the process of decision-making. Their representatives sit across the table with the representatives of management to take important decisions particularly on matters affecting the workers. Workers may be members of works committee, joint management council, etc. alongwith the representatives of management. The decisions are taken through mutual discussions between the representatives of the workers and those of the management.

3. **Self-Control.** The essential feature of self-control (or self-management) is that management and workers are not visualised as two distinct groups but as active members with equal voting rights. Every member participates right from decision-making to execution of decisions. Participation in Yugoslavia is an example of self-control. *Self-control implies a process in which the workers exercise control on the mechanism of decision-making as full-fledged and active members.* This view of workers' participation implies formal involvement of workers at all the stages of the decision-making process. This is possible when they are treated as co-partners in industry. V.G. Mhetras has defined workers' participation in management as

sharing the *decision-making power by the ranks of an industrial organisation, through their proper representatives, at all appropriate levels of management in the entire range of managerial action."*

Of the three interpretations of participation given above, the interpretation emphasising control is most useful as compared to the other two. It is more precise and meaningful than an interpretation like 'say' and has broader implications than 'sharing decision-making'. Participation may, thus, be defined as a process whereby subordinates are able to participate in decision making at all levels of the enterprise. *The concept of workers' participation in management crystallises the concept of industrial democracy and indicates an attempt on the part of an employer to build his employees into a team, which works toward the realisation of a common objective.*

Importance or Workers' Participation

Workers' participation in management has assumed great importance these days because of the following advantages:

1. **Reduced industrial unrest.** Industrial conflict is a struggle between two organised groups, which are motivated by the belief that their respective interests are endangered by the self-interested behaviour of the other. Participation cuts as this very root of industrial conflict. It tries to remove or atleast minimise the diverse and conflicting interests between the parties, by substituting in their place cooperation, homogeneity of objectives and common interests. Both sides are integrated through participation and decisions arrived at become "ours" rather than "theirs".

2. **Reduced misunderstanding.** Participation helps dispelling employees' misunderstandings about the outlook of management in industry. These misconceptions would otherwise die hard, and their damaging effect needs no emphasis. In addition, the difficulties which management encounters in managing the enterprise will be appreciated by the employees.

3. **Increased organisation balance.** If workers are invited to share in organisational problems, and to work towards common solutions, a greater degree of organisational balance occurs because of decreased misunderstanding and individual and group conflicts. Participation leads to increased understanding throughout the organisation. People learn that others have also problems besides themselves.

4. **Improved communication.** It is seldom possible for managers to have knowledge of all alternatives and all consequences related to the decisions, which they must make. Because of the existence of barriers to the upward flow of information in most enterprises, much valuable information possessed by subordinates never reaches their managers. Participation tends to break the barriers and makes the information available to managers. To the extent such information alters the decisions, the quality of decisions is improved.

5. **Higher productivity.** Increased productivity is possible only when there exists fullest co-operation between labour and management. It has been empirically tested that poor 'labour management relations' do not encourage the workers to contribute anything more than the minimum desirable to retain their jobs. Thus, participation of workers in management is essential to increase industrial productivity.

6. **Increased commitment.** An important prerequisite for forgoing greater commitment is the individual's involvement and opportunity to express himself. Participation allows individuals to express themselves at the work-place rather than being absorbed into a complex system of rules, procedures and systems. If an individual knows that he can express his opinion and ideas, a personal sense of gratification and involvement takes place within him. This, in turn, fortifies his identification with the organisation resulting in greater commitment.

7. **Industrial democracy.** Participation helps to usher in an era of democracy in industry. It is based on the principle of recognition of the human factor. It tends to reduce class conflict between capital and labour. It also serves as a support to political democracy.

8. **Development of individuals.** Participation enhances individual creativity and response to job challenges. If given the opportunity to question and suggest, instead of having to follow rigid set of instructions, the employee's

natural ingenuity and ability are allowed expression. Individuals are given an opportunity to direct their initiative and creativity towards the objectives of the group. This facilitates individual growth.

9. **Less resistance to change.** When changes are arbitrarily introduced from above without explanation, subordinates tend to feel insecure and take counter measures aimed at sabotage of innovations. But when they have participated in the decision-making process, they have had an opportunity to be heard. They know what to expect and why. Their resistance to change is reduced.

Objectives of Workers' Participation in Management

Workers' participation in management seeks to achieve the following objectives:

1. **Economic Objective:** Workers' participation in management aims at increasing productivity of labour by improving cooperation between employer and employees. Productivity is sought to be increased by improving job satisfaction and industrial relations.
2. **Social Objective:** Under participation, industry is considered a social institution in which each and every worker has a vested interest. The purpose of participation is to ensure human dignity and to get the workers' a respectable status in society.
3. **Psychological Objective:** Workers' participation in management seeks to bring about a change in the attitude of workers. Through participation they will consider themselves an integral part of industry rather than mere working hands. Participation provides the employees an opportunity to express themselves thereby satisfying their non-economic needs. It provides them a sense of belonging, pride and accomplishment.

Following are the sub objectives of workers' participation in management:

(i) To promote increased productivity for the advantage of the organisation, workers and society at large;

(ii) To provide a better understanding to employees about their role and place in the process of attainment of organisational goals;

(iii) To satisfy the workers' social and esteem needs; and

(iv) To strengthen labour management co-operation and thus maintaining industrial peace and harmony.

(v) To develop social education for effective solidarity among the working community and for tapping latent human resources.

(vi) An ideological point of view to develop self-management in industry.

(vii) An instrument for improving efficiency of the company and establishing harmonious industrial relations.

(viii) To build the most dynamic human resource.

(ix) To build the nation through entrepreneurship and economic development.

Need of Workers' Participation in Management

Workers' participation in management provides the following benefits:

1.Mutual Understanding: Generally, employers and employees doubt the integrity of each other due to ignorance of each other's problems. Participation brings the two parties closer and makes them aware of each other's problems. As a result, a better understanding and mutual trust can be created between employer and workers.

2.Higher Productivity: Cooperation between management and labour helps to increase production and profits of Industry. Through participation workers learn the problems of industry and better understand their role. Participation improves employee motivation and job satisfaction, which in turn help to increase their efficiency. Higher productivity leads to lower costs per unit and greater profits, which are beneficial to all.

3.Industrial Harmony: Workers' participation in management helps to reduce industrial disputes and to improve workers' loyalty. Continuous dialogue between management and workers improves peace in industry.

4.Industrial Democracy: Participation of workers in management ushers in industrial democracy, which is necessary for political democracy. Need for outside intervention between employer and employees is eliminated and workers are feed from exploitation.

5.Less Resistance to Change: Workers often resist change due to fear and ignorance. When workers participate in the decision making, they come to understand that change is ultimately in their own interest. They become more able and ready to adopt themselves to technological and other changes made to improve the competitive position of the company.

6.Creativity and Innovation: Participation encourages workers to think and take initiative. Their talent and ability can be capitalised. Highly competent employees can be spotted and given prevention. Participation is helpful in training and developing future executives. Workers' urge for self-expression is satisfied.

Forms of Workers' Participation in Management

Several methods have been suggested and tried for ensuring workers' participation in management. Some important forms of participation are as follows:

1. Suggestion Scheme: Under this system, workers are invited and encouraged to offer suggestions for improving the working of the enterprise. A suggestion box is installed. Any worker can write his suggestions and put it into the box. Periodically all the suggestions are scrutinised by the Suggestion Committee. Good suggestion for implementation and suitable rewards are given to the concerned workers. Suggestion schemes encourage worker's interest in the functioning of the enterprise.

2. Works Committees: Under the Industrial Disputes Act, 1947, every establishment employing 100 or more workers is required to constitute a works committee. Such a committee consists of equal number of representatives of employer and workers. The main purpose of works committees is to provide measures for securing and preserving amity and good relations between the employer and employees.

3. Joint Management Councils: Under this system, joint management councils are constituted. These councils consist of equal number of representatives of employers and workers. The councils discuss various matters concerning working of industry. The decisions of these councils are advisory in nature though employers often implement the unanimous decisions of these councils. Working conditions, accident prevention, indiscipline, absenteeism, training and such other matters are generally the matters brought before joint management councils. While works committees are formed at shop floor level, joint management councils are instituted at plant level.

4. Worker Directors: Under this method, one or two representatives of workers are nominated or elected on the Board of Directors. This is a full-fledged and highest form of workers' participation in management. In India, D.C.M. and a few other companies provide representation to workers on their Board of Directors.

5. Co-partnership: In this method, workers are made shareholders in the company in which they are employed. As partners, they take part in the management of the enterprise. They may elect their representatives to the Board of Directors. They also share the company's profits in the form of dividend. Trade unions in India do not favour the scheme of worker shareholders on the ground that a nominal shareholding by the workers cannot give them any say in management.

Joint Consultation

Joint consultation is the process whereby employer consults the workers either directly or through their representatives and seeks their opinion on various issues while retaining to himself the right of taking final decisions. It is carried on through joint consultative committees consisting of the representatives of both employer and workers. Joint consultation is a popular form of labour participation in management. It is a stage prior to joint decision making.

Joint consultation includes matters not covered in collective bargaining. Workers' training, productivity and quality improvement schemes, grievances, disciplinary problems, safety measures and incentive schemes can be covered under joint consultation.

Joint consultation offers the following advantages:

(i) It promotes mutual trust and community of interests thereby bringing peace in industry.

(ii) It is a step towards industrial democracy.

(iii) It helps to improve the job satisfaction and morale of workers.

(iv) It provides creative ideas and develops initiative among workers.

(v) It helps to reduce employees' resistance to new machines and methods.

In real life, the following problems and difficulties arise in joint consultation:

1. In the absence of a single recognised union, it becomes difficult to select the true representatives of workers.
2. The representatives of workers are narrow minded and politically oriented. They fail to consider the long term interests of the organisation and workers.
3. One influential and vocal member of a joint consultative committee may overshadow the views of the majority.
4. Representatives of workers are not well informed and well educated. Therefore, they fail to make an effective contribution.

The following guidelines or principles can be used to make joint consultation successful:

1. The objectives and scope of joint consultative committees should be well defined and explained to all.
2. Employers should be sincere in consulting the representatives of workers. Joint consultative committees should not be made a mere showpiece.
3. Workers' representatives should be provided information and education in the functioning of industry.
4. Joint consultative committees should not become mere grievance committees. They must be utilised to solve the joint problems of management and labour.
5. An atmosphere of mutual trust and cooperation between employer and employees should be created.

Evaluation of the Scheme of W.P.M. in India

The Constitution of India makes provision for workers participation in management in the following words:

"The State shall take steps, by suitable legislation, or in any other way, to secure the participation of workers in the management of undertakings, establishments or other organisations engaged in any industry."

The Industrial Policy Resolution, 1956 stated that "in a socialistic democracy labour is a partner in the common task of development and should participate in it with enthusiasm. There should be joint consultation and workers and technicians whenever possible be associated progressively in management. Enterprises in public sector have to set an example in this respect.

The Second Five Year Plan stressed the need for participation as under:

"It is necessary in this context that the worker should be made to feel that in his own way he is helping to build a progressive state. The creation of industrial democracy, therefore, is a prerequisite for the establishment of a socialistic society."

In the Third Five Year Plan it was stated: "The success or failure of an undertaking is not the concern of management alone. For the peaceful evolution of the economic system on a democratic basis, it is essential that workers' participation in management should be accepted as a fundamental principle and an urgent need."

Several study groups, seminars and conferences have been arranged to promote the idea of workers' participation. In 1956 a study group under the chairmanship of Mr. Vishnu Sahai the then Secretary, Ministry of Labour carried out on the spot study of several countries. It suggested the establishment of joint councils in Indian industries. The 15th Indian Labour Conference considered the suggestions of the study group. It recommended that the scheme of participation should be tried on voluntary basis in 50 undertakings.

A tripartite seminar on labour management cooperation was held in 1958. It suggested a scheme of joint management councils. A second tripartite seminar held in 1960 suggested the setting up of a tripartite committee at the centre to review the progress of joint management councils and to sort out difficulties in their functioning. The Government of India set up a special unit in the Ministry of Labor to deal with all matters connected with the scheme of joint management councils.

Workers' participation in management gained momentum when the Government of India introduced a scheme known as Nationalised Banks (Management and Miscellaneous Provisions) Scheme in 1970. Under this scheme two representatives of employees shall be elected on the Board of Directors of each nationalised commercial bank. One representative will be from clerical and non-supervisory cadre and the other from supervisory cadre officials. A review of the scheme in 1981 revealed that worker directors were ignorant of their role on the board and many a time they were in conflict with the other directors and the chairman. The Ministry of Finance has abolished the scheme by a notification. In 1975, Government of India announced a special scheme under Twenty Point Programme. Under this scheme shop councils and joint councils were to be set up in mining and industrial under takings employing 500 or more workers. Later on the scheme was extended to units employing 100 or more workers.

Several schemes of participation have been introduced to give effect to the policy statements given above. A brief review of these schemes is given below:

1. Works Committees: Works committees deal with matters of day-to-day functioning at the shop floor level. According to the Indian Labor Conference (1959) works committees are concerned with:

(a) Conditions of work such as ventilation, lighting, temperature and sanitation including latrines and urinals.

(b) Amenities such as drinking water, conteens, dining rooms, medical and health services.

(c) Safety and accident prevention, occupational diseases and protective equipment.

(d) Adjustment of festivals and national holidays.

(e) Administration of welfare and fine funds.

(f) Educational and recreational activities.

(g) Promotion of thrift and savings.

(h) Implementation and review of decisions arrived in the meetings of works committees.

The following items are excluded from the purview of the works committees:

(i) Wages and allowances, (ii) Profit sharing and bonus, (iii) Rationalisation and work load, (iv) Fixation of standard labour force, (v) Programmes of planning and development, (vi) Quantum of leave and holidays, (vii) Retirement benefits, (viiii) Victimisation for trade union activities, (ix) Retrenchment and layoff, (x) Provident fund and gratuity, (xi) Housing and transport schemes, and (xii) incentive schemes.

The progress of works committees has not been satisfactory due to the following reasons:

1. Lack of competence and genuine interest on the part of workers' representatives.
2. Employers considered it below their dignity and status to sit alongwith blue-collar workers.
3. Works committees were misunderstood as substitutes of collective bargaining and employers used to bypass unions. Therefore unions thought that the committees are a threat to their very existence.
4. Inter-union rivalries and absence of provision to hold the election of workers' representatives by secret ballot.
5. Lack of feedback on the performance of works committees.
6. Undue delay and problems in implementation due to advisory nature of recommendations.

The National Commission on Labor suggested the following measures to make the works committees effective:

(a) Adequate support from trade unions.
(b) A more responsive attitude on the part of management.
(c) Proper communication and appreciation of the scope and functions of works committees.
(d) Full-fledged and whole-hearted implementation of recommendations of works committees.
(e) Proper coordination of the functions of the multiple bipartite institutions at the plant level.
(f) Creation of atmosphere of mutual trust and confidence.
(g) Union recognition of the works committees.

Features Functions and Progress of Joint Management Council

These councils were set up in 1958 consequent upon the acceptance of socialistic pattern of society. These consist of equal representatives of management and workers, not exceeding twelve, at the plant level in selected industrial units. The units should employ at least five hundred workers, should have a well established and strong central organisation of employees' unions and should have a record of good industrial relations. A joint management council is expected to perform the following functions:

(i) The council is to be consulted by management before introducing changes in the modes of production, production schedule, general administration problems, etc.
(ii) The council is to receive information, discuss and give suggestions on general economic situation, state of the market, production and marketing programmes, organisation and general functioning of the concern, methods of production and work, balance sheet and profit and loss account, long term capital budgeting decisions, plans for .pansion, modernisation and development, etc.
(iii) The council is to take up accident pre ention, management of canteens, water, meals, safety, issue and revision of work rules, avoidance of waste of time and mat ials, absenteeism, indiscipline, training, etc. Thus, the council is entrusted with the responsibility of adminis ering welfare measures, supervision of safety and health schemes, vocational training, apprenticeship schemes, scheduling of working hours, breaks and holidays and reward for suggestions.

Wages, onus, individual grievances, personal problems of workers and matters of collective bargaining are outsi scope of joint management councils.

Du . oluntary nature, few undertakings implemented the scheme. The performan these councils has not atisfactory due to the following reasons:

(a) ions fear these councils will weaken their stren h as workers come under the influence of ncils.
(b) W rs' representatives feel dissatisfied as these coun ls are concerned with welfare activities only.
(c) Managers feel that it is very difficult to convince uneducated and inexperienced representatives of workers.
(d) Some managers feel afraid of furnishing adequate information to workers' representatives. In the absence of adequate information, these representatives become ineffective.
(e) There is no representative union to help councils work smoothly.
(f) Some managers feel that with works committees and collective bargaining there is no need for these councils.

In 1975 another scheme of participation was introduced. Under this scheme shop floor levels shop councils and plant level joint councils were to be set up.

Shop Councils: The main features of the shop councils were as follows:

(i) There shall be a shop council for each department or shop whether a joint management council already exists or not.

(ii) Each shop council shall consist of equal number of representatives of employers and workers. The employers' representatives shall be nominated by the management and must consist of persons from the unit concerned. All the representatives of workmen shall be from among the workers actually engaged in the department or shop concerned.

(iii) The number of members of each council may be determined by the employer in consultation with the recognised union in the manner best suited to local conditions obtaining in the unit. The total number of members may not generally exceed 12.

(iv) All decisions of a shop council shall be on the basis of consensus and not by a process of voting, provided that either party may refer the unsettled matters of the joint council for consideration.

(v) Every decision of a shop council shall be implemented by the parties concerned within a period of one month, unless otherwise stated in the decision itself and compliance report shall be submitted to the council.

(vi) Such decisions of a shop council which have a bearing on another shop or the undertaking or establishment as a whole will be referred to the joint council for consideration and decision.

(vii) A shop council, once formed, shall function for a period of two years.

(viii)The council shall meet as frequently as is necessary and at least once in a month.

Functions of Shop Council: Shop councils were to deal with the following matters:

(i) Assist management in achieving production targets.

(ii) Improve productivity and efficiency including elimination of wastage and optimum utilisation of machine capacity and manpower.

(iii) Assist in maintaining general discipline in the shop/department.

(iv) Identify areas of low productivity and take necessary steps at shop level so as to eliminate the causes of low productivity.

(v) Suggest health, safety and welfare measures to be adopted for smooth functioning of the shop or department.

(vi) Study absenteeism in the shop/department and recommend steps to reduce them.

(vii) Look after physical conditions of working such as lighting, ventilation, noise, dust, etc. and reduction of fatigue.

(viii)Ensure proper flow of adequate two-way communication between the management and the workers, particularly on matters relating to production figures, production schedules and progress in achieving the targets.

Joint Councils: In every industrial unit employing 500 or more workers there was to be a joint council for the whole unit. The main features of the scheme were as follows:

(i) A joint council shall function for a period of two years.

(ii) Only such members who are actually engaged in the unit shall be members of the joint council.

(iii) The chief executive of the unit shall be the Chairman of the joint council. There shall be a vice-chairman who will be nominated by worker-members of the council.

(iv) The joint council shall appoint one of the members as its secretary. Necessary facilities for the efficient discharge of functions by the secretary shall be provided within the premises of the undertaking/establishment.

(vi) The joint council shall meet at least once in a quarter.

(vii) Every decision of the joint council shall be on the basis of consensus and not by a process of voting and shall be binding on employers and workmen and shall be implemented within one month unless otherwise stated in the decision itself.

Functions of Joint Councils: A joint council was to deal with the following matters:

(i) Functions of shop councils having a bearing on another shop or the unit as a whole.

(ii) Matters emanating from shop councils which remain unresolved.

(iii) Optimum production, efficiency and fixation of productivity norms of men and machine for the unit as a whole.

(iv) Work planning and achieving production targets, more specifically tasks assigned to a shop council but relevant to the unit as a whole.

(v) Preparing schedules of working hours and of holidays.

(vi) Developing skill of workmen and adequate facilities for training.

(vii) Rewards for valuable and creative suggestions received from workers.

(viii)General health, welfare and safety measures for the plant or the unit.

(ix) Optimum use of raw materials and extended to finished products.

In 1977 the above scheme was extended to public sector units employing 100 or more persons. The scheme was considered better that the earlier scheme due to the following reasons.

1. It created two-tier participation—shop council at plant level and joint council at the enterprise level.
2. Functions of shop council and joint council were clearly defined.
3. The decisions of the shop council were mandatory and not merely advisory.
4. The scheme was flexible at it could be adapted to local conditions.

The scheme, however, could not be successful. There was considerable overlapping between shop councils and works committees. The scheme made no provision for participation at the middle level. In 1983 the Government of India introduced a new scheme of participation in central public sector undertaking. But due to lack of consensus on the mode of representation and tendency of workers to discuss extraneous matters.

Workers' Participation in Management Scheme of 1975

Government of India on 30th October, 1975, announced a scheme of workers' participation in management which consisted of establishment of Joint Councils and Shop Council as part of its 20 point economic programme. The scheme envisages for the establishment of joint councils and shop councils in manufacturing and mining industries employing 500 or more employees in public, private and co-operative sectors.

The scheme contemplated participation of workers in the decision-making process in the matters relating to production, productivity, absenteeism, safety measures, general discipline, working conditions and welfare, and over-all efficiency of the shop/department.

Important features of this new scheme are:

(1) All decisions of a Shop Council as well as of the Joint Council shall be on the edifice of the "Consensus and not by process of voting."

(2) It is non-statutory like JMCs and there is a clear-cut functions of these councils.

(3) "Consensus and time-bound implementation" are the tools for arriving at decisions. Thus, the scheme tries to eliminate the chances of direct interference by outside elements. The decisions are required to be implemented within one month.

(4) The scheme provides for participation of workers at the shop floor level; otherwise the framework is not materially different from that of WCs. and JMCs.

(5) It provides for a two-way communication and an exchange of information between the management and the workmen.

(6) The very change in the nomenclature of the scheme from 'participation of workers in management' to that of 'participation of workers in industry' makes it more acceptable to employees as the latter are likely to offset some of their misgivings and apprehensions caused by the former.

(7) The scheme hits at three principal objectives to which the reform of industrial democracy is directed, viz., recovery of individual human rights at the work place; consolidation of social and political freedom (to join a particular union of his own choice without any coercion); and the framing of new industrial system functionally suitable to the country's economy.

Performance Evaluation of the Scheme of Workers' Participation in Management

Number of public sector units implemented or initiated action of implementing the Joint Councils increased from 472 in 1976 to 545 in 1978. A Committee on workers' participation in management and equity was appointed by the Government in September, 1977 to study all the issues relating to participative management. The committee after its in-depth study suggested the outline of a comprehensive scheme and came to conclusions on matters like the nature, structure, levels of participation and their function, which may form part of a scheme of participative management.

Though this theme was lauded with great fanfare, it has not been effective in its working owing to the same malady from which the Joint Management Councils have been suffering, i.e., absence of commitment of both employer and employees. Further, employees feel that this scheme is mostly oriented to maximisation of production/productivity, optimum utilisation of capacity, better utilisation of raw materials etc., without concerning much about the mean of the unit/plant.

Reasons for the Limited Success of Workers' Participation in Management

Thus, it is felt that the ineffective functioning of various schemes of participative management has been mostly due to absence of commitment and lack of interest in the schemes of participative management on the part of both the parties. But a study conducted by Prof. Laxminarain reveals that both the trade unionists and managements covered in the study have much faith in the potentiality and promise of employers' participation in management and a majority of them believe that it would be successful if proper mechanisms are introduced. Further, both the employees and manager fully appreciate the benefits of participative management such as increase in production/productivity, better understanding among managers, supervisors and workers and help in strengthening industrial relations. Further, the trade unionists believe that employees are capable of being an effective party to participative management as they are:

(a) Generally interested in participation at various level;

(b) Desirous of sharing the responsibility; and

(c) Competent to effectively participate in decision-making at various levels.

Despite the positive attitudes of both the parties about the conceptual framework of participative management, the arrangements of the participative management in public sector units are so far failed to deliver the goods. It is felt the existing system is not conductive due to inherent constraints due to –

(i) The inherent conflicts between employees and management;

(ii) The general belief that the workers are inferior to management;

(iii) The fact that the system is management dominated and due to; and

(iv) The view that managers are averse to share responsibility.

Further, it is also viewed that the ineffective functioning might be partly due to certain defects in contextual setting and the mechanisms of participative management at micro level. Workers feel that there is no seriousness on the part of management in making the schemes of participative management a success. In view of these defects, the author of the study suggested that, it is necessary to sell the concept to the top management more vigorously and to change it with the responsibility to implement the participative management schemes in all enterprises. Further, managers' participation in management at top level is an important link in the participative approach down to the line. Additional managers should also share powers with employees to make the participative management a success. In this connection, managers in the public sector would have to be bold enough to take some risks inherent in the sharing of power. Further, it is felt by the parties concerned that voluntary nature of participative management schemes is another reason for their ineffective functioning. In this connection it is suggested that the Government should take effective steps in providing necessary infrastructure, in addition to providing necessary legislative framework for the success of the participative management.

Public enterprises should provide a lead in making the scheme of participative management a success to the private sector industries in the country, with their distinct advantage by providing training to the employees in production, planning, techniques, management, decision-making, behavioral skills, financial area, organisational knowledge etc. This naturally calls for re-orientation of workers' education and training programmes. The managers in public sector should not as the owners act in private sector industry in sharing authority, views, information etc., and they have to take employees into confidence since all of them are the partners in the industrial endeavour of public sector. Thus, the roles to be played by managers and workers are challenging but not beyond achievement in making workers participation a successful one.

Various reasons have been assigned for the slow progress and unsatisfactory working of the scheme. These include:

(i) The apathy and even hostility of the employers and the workers; the former looked upon the bipartite bodies (Works Committees and JMCs) as substitute of trade unions, while the latter considered them to be their rivals;

(ii) Lack of a proper understanding between employers and employees of the concept, purposes and benefits of the scheme;

(iii) Progressive employers, who have a long tradition of having a healthy system of communication and consultation with their employees, find the bodies to be superfluous;

(iv) Workers indirectly participate in management through their representatives. Their latent abilities and qualities have, therefore, been largely unutilised;

(v) The existence of a number of joint bodies – works committees, joint management councils, production committees, suggestion committees, canteen committees, safety committees, etc., — has caused confusion and a duplication of effort as well as a waste of time and energy;

(vi) The absence of a strong trade union or the existence of more than one trade union and inter-union rivalry has made the working of the scheme somewhat difficult;

(vii) The absence of a proper education and training in the principles of human relations, co-operation and participation of the part of the workers' representatives on these bodies;

(viii) Although the representatives of the central organisations supported the scheme of national conference and committee meetings, they have shown inadequate interest in making heir affiliates enthusiastic about it. In undertaking in which employee-employer relations are not cordial and in which arrangement s for works committees, grievance redressal procedure and a procedure for the recognition of a trade union are absent, the joint management councils cannot be expected to function satisfactorily.

(ix) Delay in implementing the suggestions and recommendations of these bodies often leads to the warning of the workers' interest in such bodies;

(x) The joint management councils were created without the creation of a congenial and constructive climate for them, which would ensure that each party, would trust the other and would respect its rights. As a result, they were used as a platform form which, because of mutual distrust and suspicion, charges and counter-charges were made about delays in the setting up of the joint management councils, about apathy and indifference, about the shirking of responsibility and uncalled for or unnecessary interference in labour matters by the State, towards workers, which means the establishment of machinery for setting of grievances of the

workers; which means advance notice and often advance consultation with workers or their representatives prior to important management action which may affect them, it means that workers through their representative can have an effective voice in their working lives.

Working of Workers' Participation in Management in India

The highlights of the Indian experience, with regard to workers' participation in management is that the schemes have although been initiated by the Government. Taking into account the economic, political and worker/trade union situation in India, the Government's initiative for participative management is justified. The global experience also stands testimony to such initiative. The trade unions in India who have demanded for nationalisation of that culminate in people's participation in the economic activity have been conspicuous by their silence with regard to workers' participation in the industrial activity.

There has been a phenomenal growth in number of units adopted by JMCs in public sector (augmented from eight in 1958to140 in 1976). JMCs in some of the public sector undertakings, for example, Bharat Heavy Electricals Limited have provided an appropriate forum for effective communication, and managements unreservedly furnished all facts and information sought for, the unions have responded by moderating their enthusiasm and exercising reasonable restraint in demanding information, disclosure of which could be detrimental to the interest of the organisation. Deliberations in the JMC are characterised by mutual understanding and a high level of objectivity in the appreciation of problems without acrimony or emotionalism.

But the working of the JMCs indicates that they have not been successful both in private and public sectors. JMC was first introduced in Hindustan Machine tools in 1958 among the public sectors units but survived less than one year. The scheme was also failed in other public sector units like Posts and Telegraphs, Railways, Hindustan Insecticides, Indian Airlines Corporation, Air India International and in Fertilizer and Chemical corporations.

It is often criticised by different quarters that scheme of employee participation in management did not make a headway though it was initiated with much enthusiasm. The National Commission on Labour observed that, "mental reservations which operated against it are same both in the ranks of management and among the workers."

Suggestions for the Success of Workers' Participation in Management

The following are the prerequisites for the successful functioning of the schemes of workers' participation in management. Managements, trade unions and the workers should be concerned with these prerequisites.

(1) There should be mutual trust, faith among all the parties concerned.

(2) There should be progressive management in the enterprise and should recognise its obligations and responsibilities towards workers and trade unions.

(3) There should be strong, democratic and representative union, which should represent the cause of workers without neglecting the management's interest.

(4) There should be closely and mutually formulated, objectives for participation by trade unions and management.

(5) All parties concerned to participative management should feel that they should participate at all levels.

(6) There should be effective communication between workers and management and effective consultation of the workers by the management.

(7) Both the parties should develop a favourable attitude towards the schemes of participative management.

(8) Management and Government should provide training to all the parties concerned to prepare them for participative management.

(9) Both the parties of anticipative management should be conscious of the benefits of the schemes

Reasons for Failure of Workers' Participation in India

The scheme of workers' participation in management has failed in India mainly due to the following reasons:

1. Employers have by and large resisted workers' participation in decision making. They feel that workers are not competent enough to take decisions. There is no clear evidence to convince managers that participative management will really lead to higher productivity and profitability.

2. Lower level needs of workers are not fully satisfied. Therefore, majority of Indian workers are not motivated enough to assume decision making responsibility either directly or through their representatives.
3. Workers' representatives who participate in management have to perform the dual role of workers' spokesmen and co-managers. Very few representatives are competent enough to assume the two incompatible roles.
4. Generally, trade unions leaders who represent workers are also active members of political parties. While participating in management they give priority to political interests rather than the interests of workers.
5. Schemes of workers' participation have been initiated and sponsored by the Government. There has been lack of initiative on the part of both employers and trade unions.
6. The focus has been on participation at higher levels. As a result rank and file of workers are not involved in decision making on matters directly affecting them.
7. In India, labour laws regulate virtually all terms and conditions of employment at the work place. Workers do not feel the urge to participate.

Pre-requisites of Effective Participation

The following steps may be taken to ensure success of workers' participation in management:

1. Employers should adopt a progressive outlook. They should consider industry a joint endeavour in which workers have an equal say. Employers should be made conscious of their obligations to workers and the benefits of participative management. They should provide job security to workers.
2. Strong, enlightened and truly representative trade unions should be developed. Only one union should be recognised in each industrial unit to represent the workers.
3. Employers and workers should agree on the objectives of industry. They should recognise and respect the rights and obligations of each other.
4. Workers and their representatives should be provided education and training in the philosophy and process of participative management. Workers should be made aware of the benefits of participation.
5. Mere legislation cannot make participation successful. A true spirit of mutual cooperation and commitment to participation must be developed on the part of both management and labour. An atmosphere of trust should be created on both sides.
6. Participation should be a continuous process. Adequate time must be allowed to let it take roots. It has to be a slow and steady process. To begin with participation should start at the operating level of management.

The attitudes, feelings and emotions of employees play a vital role in determining their performance and behaviour. These is turn determine the success and growth of the organisation. It is for this reason that personnel experts as well as line managers are now paying increasing attention to the problems of motivation and morale in industry.

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d. ***The nature of work:*** Dull, monotonous, repetitive work affects employee morale adversely. On the other hand, if an employee is asked to do something interesting and challenging, his morale may be high.

e. ***Work environment:*** Morale is a direct function of the conditions in the workplace. Clean, safe, comfortable and pleasant work conditions are morale boosters.

f. ***The employee:*** How the employee looks at himself (the self-concept) also influences morale greatly. For example, individuals who lack self-confidence or who suffer from poor physical or mental health frequently develop morale problems. Further, how the employees'personal needs are satisfied can significantly influence their morale. Salary, fringe benefits, DA rates, allowances may affect employee morale in a positive or negative manner, when they compare themselves with others doing similar jobs.

Morale is an elusive thing. It is not easy to define, control or measure. But it exercises a potent influence on the human relations climate in an organisations.

Morale is a very widely used term It generally refers to *esprit de corps,* a feeling of enthusiasm, zeal, confidence in individuals or groups that they will be able to cope with the tasks assigned to them. A person's enthusiasm for his job reflects his attitude of mind to work, environment and to his employer, and his willingness to strive for the goals set for him by the organisation in which he is employed. Morale is a synthesis of an employee's diverse reactions to, and feelings for, his job, his working conditions, his superiors, his organisations, his fellow-workers, his pay and so on. Feelings, emotions, sentiments, attitudes, and motives—all these combine and lead to a particular type of behaviour on the part of an individual or his group; and this is what is referred to as employee or group morale.

Definition and Characteristics

Morale has been variously defined by different authorities. According to Yoder, "morale is feeling, somewhat related to *esprit de corps,* enthusiasm or zeal. For a group of workers, morale, according to a popular usage of the word, refers to the over-all tone, climate or atmospnere of work, perhaps vaguely sensed by the members. If workers appear to feel enthusiastic and optimistic about group activities, if they have a sense of mission about their job, if they are friendly with each other, they are described as having a *good* or *high* morale. If they seem to be dissatisfied, irritated, cranky, critical, restless and pessimistic, they are described as having poor or low morale."

Nature of Morale

According to Flippo morale is "a mental condition or attitudes of individuals and groups which determines their willingness to co-operate. Good morale is evidenced by employee enthusiasm, voluntary conformance with regulations and orders, and a willingness to cooperate with others in the accomplishment of an organisation's objectives. Poor morale is evidenced by surliness, insubordination, a feeling of discouragement and dislike of the job, company and associates."

In the words of Jucious, "morale is a state of mind or willingness to work which in turn affects individuals and organisational objectives." Morale, he adds consists of "What is it"? "What does it do"? "Where does it reside"? "Whom does it affect"? and "What does it affect"? Jucious answers his own questions thus.[2]

WHAT IS IT? – It is an attitude of mind, an *exprit de corps.* a state of well being and an emotional force.

WHAT DOES IT DO? – It affects output, the quality of a product, costs, cooperation, discipline, enthusiasm, initiative and other aspects of success.

WHERE DOES IT RESIDE? – It resides in the minds, attitudes and emotions of individuals themselves and in the reactions of their group.

WHOM DOES IT AFFECAT? – It affects the employees and executives in their interactions. Ultimately it affects the consumers and the community.

WHAT DOES IT AFFECT? – It affects an employee's or group's willingness to work and cooperate in the best interests of the individuals or groups and the organisations for which they work.

The above definitions reveal the following features of morale: -

(a) Morale is a state of mind. It reflects mental health.

(ii) It is the aggregate of attitudes, feelings, emotions, sentiments, etc.

(iii) Morale is of two types-

(a) individual morale which means a person's attitudes towards life, and

(b) group morale, which implies the collective attitudes of a group of persons.

(iv) Morale is a relative term. It may be high or low. When employees feel enthusiastic and optimistic about the group activities, satisfied with the job and friendly to each other, they are said to have high morale. On the other hand, if they feel dissatisfied, pessimistic and irritated, their morale is said to be low.

(v) Morale influences human behaviour and performance.

(vi) Morale is a psychological feeling.

(vii) Morale is intangible. It cannot be increased directly.

(viii)Morale is a contagious phenomenon. Individuals transmit their attitudes to each other.

Significance of Morale

According to Napolean, "in war morale conditions make up three-quarters of the game, the relative balance of manpower accounts for the remaining quarter." Morale is equally important in management. High morale means willing cooperation and loyalty to the organisation. Employees with high morale take greater interest in the job, feel a sense of identity with the organisation and take pride in it. high morale is an index of sound industrial relations. It helps the management in overcoming labout-turnover, absenteeism, indiscipline, grievances and other labour problems.

Possible Effects of High Morale

1.	Higher performance
2.	Better quality of work
3.	Low absenteeism
4.	Low labour turnover
5.	Good discipline
6.	Fewer industrial accidents
7.	Stability and growth of the organisation

Morale is an important part of organisational climate. It is a vital ingredient of organisation success because it reflects the attitudes and sentiments of organisational members towards the organisation, its objectives and policies. These attitudes and sentiments largely affect productivity and satisfaction of individuals. Morale is the total satisfaction a person derives from his job, his workgroup, his boss, his environment.[5]

High morale exists when employee's attitude is favourable towards their jobs, their company and their fellow workers—favourable to the total situation of the group and to the attainment of its objectives. Low morale exists when attitude inhibits the willingness and ability of the group to attain company objectives.[6] Thus, morale of employees should be high to achieve the organisational objectives efficiently and effectively. High morale reduces labour turnover, wastes and disharmony.

Employees with high morale like their jobs and co-operate fully with the management towards the achievement of goals of the organisation. It results from job satisfaction and generates job enthusiasm. High morale is indeed a manifestation of the employees' strength, dependability, pride, confidence and devotion. All these qualities of mind

Chapter 13
Employee Morale

Introduction

Morale is a group phenomenon consisting of pattern of attitudes of members of the group. It refers to the spirit of the organisation. It represents the attitudes of individuals and groups in an organisation towards their work environment and towards voluntary cooperation to the full extent of their capabilities for the fulfillment of organisational goals. Thus, morale is an indicator of attitudes of employees towards their jobs, superiors and environment, it is the sum total of employees' attitudes, feelings and sentiments towards these variables. Morale is a by-product of motivation and group relationships in the organisation, it is a mental process which once started permeates in the entire group creating a mood which results in the formation of a common attitude.

The term 'morale' has been defined in many ways. However, all the definitions revolve around the attitude towards work for the accomplishment of organisation goals. William Spriegel has defined morale as the cooperative attitude or mental health of a number of people who are related to each other on some basis. According to Alexander H. Leihgton, *"morale is the capacity of a group of people to pull together persistently in pursuit of a common purpose."* These definitions reveal that morale is the degree of enthusiasm and willingness with which the members of a group work to perform their assignments.

Morale represents a composite of feelings, attitudes and sentiments that contribute to general feelings of satisfaction. It is a state of mind and spirit affecting willingness to work, which in turn, affects organisational and individual objectives. It shapes the climate of an organisation.

Generally, the term 'morale' is used to describe an overall 'climate' prevailing among the members of a group. It is not an absolute concept, which can convey a specific meaning. Like the word 'health', the word 'morale' by itself does not convey any favourable or unfavourable meaning. It has to be qualified with the degree, as high morale or low morale. Thus, morale is the degree of enthusiasm and willingness with which the members contribute their efforts towards the organisation goala. If the enthusiasm and willingness to work of a group is high, we can say morale is high and *vice versa.* We cannot say that there is morale or no morale among the members of a group. Therefore, morale has to be qualified like the word 'health'. Just as good health is essential for an individual, high morale is necessary for an organisation. Morale is dynamic in nature. Managers cannot achieve high morale once and then forget about it for several years. High morale is to be built and maintained by continuous efforts.

Morale represents *the collective attitudes of the workers.* High morale represents and attitude of satisfaction with desire to continue in and willingness to strive for the goals of the group. It is manifestation of direct and indirect satisfaction, sense of contentment and need fulfillment through work. Morale is both and individual and a group phenomenon. In the latter case, high morale is reflected in good team work and tram spirit. Under conditions of high morale, workers have few grievances, frustrations and complaints; they are clear about the goals—individual and organisational and are satisfied with human relations in the organisation.

Morale is *multi-dimensional* in nature in the sense that it is a complex mixture of several elements. It recognises the influences of job situation on attitudes of individuals and also includes the role of human needs as motivational forces. Morale is mostly regarded as a long term phenomenon. Raising morale to high level and maintaining it is a long-run and continuous process, which can't be achieved through short-run measures such as gimmicks, contests, or one-shot actions.

What is Morale?

Morale is a word with multiple meanings. Mayo defined it as "the maintenance of cooperative living". In this sense it refers to a sense of belonging to a group. Dr Leighton described morale as "capacity of a group of people to pull together persistently and consistently in pursuit of a common purpose." Thus, acceptance of a goal and commitment on the part of the group to work for it are important components of high morale according to this view, yet another view expressed by Prof. Kossen links morale to employees attitudes. It refers to 'employees' attitude toward either their employing organisations in general or towards specific job factors, such as supervision, fellow employees and financial incentives. Researchers, to add to the confusion, generally come out with two formulations while using the term morale; (i) job satisfaction as the concern of an individual and (ii) morale as a group phenomenon. Writers like Halloran, to clear the fog used the term morale in two different ways:

a. ***Individual morale:*** Individual morale involves knowing one's own expectations and living up to them. If we recognise our needs and how to satisfy them, our morale will be high. Here, morale refers to the feelings of an employee toward his work; it is a matter of work satisfaction.

b. ***Group morale:*** whereas individual morale is one person's attitude towards life, group morale reflects the general tone or, esprit de corps, of a group of people. Each person either heightens the prospect of the team spirit or lowers the concept of cooperative effort. Morale, used in this sense, emphasises social reactions and concentrates on attitudes towards group values (cohesiveness, interests, common thinking). According to McFarland, morale is "a concept that describes the level of favourable or unfavourable attitudes of employees collectively to all aspects of their work-the job, the company, their tasks, working conditions, fellow workers superiors and so on". Guion listed five factors as sources of satisfaction contributing to good morale. To say 'my morale is high' in a way, means 'I feel good'.

Components of Good Morale	⌫ Intrinsic job satisfaction ⌫ Satisfaction with company ⌫ Satisfaction with supervision ⌫ Satisfaction with rewards ⌫ Satisfaction with co-workers

Components of Morale

Human behaviour is difficult to explain. A clerk working under an authoritarian boss might be quite happy with himself, the boss and the organisation. Yet an officer with a five-figure salary can experience morale problems. What affects the status of morale? Let's explain these factors in greater detail.

a. ***The organisation:*** The goals of the organisation influence the attitudes of employees greatly. If the goals set by management are worthwhile, useful and acceptable, then workers develop a positive feeling towards the job and the organisation. Likewise, a clear structure with well-defined duties and responsibilities encourages people to work with confidence. The reputation of the company is another important factor worth mentioning here. Persons working in reputed organisations experience feelings of pride and a spirit of loyalty.

b. ***Leadership:*** The actions of managers exert a strong influence over the morale of the workforce. Fair treatment, equitable rewards and recognition for good work affect morale greatly. Workers feel comfortable when they work under a sympathetic, caring leader in place of one who is authoritarian, dictatorial and dominating. Negativism, inconsiderateness and apathy are not conducive to development of a good work climate.

c. ***Co-worker:*** Poor attitude of co-workers influence others. Imagine working with a person who talks about the negative points of an organisation all day ling. Such a person can make each workday an unpleasant experience for others. He can cause co-workers to think negatively and even if they don't, such an attitude is certainly not a morale booster.

and character taken together create high morale among the employees.

Morale of employees must be kept high to achieve the following benefits:

(i) Willing cooperation towards objectives of the organisation.

(ii) Loyalty to the organisation and its leadership or management.

(iii) Good discipline *i.e.,* voluntary conformity to rules and regulations.

(iv) High degree of employee's interest in their jobs and organisation.

(v) Pride in the organisation.

(vi) Reduction of rates of absenteeism and labour turnover.

Indicators of Low Morale

Low morale indicates the presence of mental unrest. The mental unrest not only hanpers production but also leads to dissatisfaction of the employees. Low morale exists when doubt and suspicion are common and when individuals are depressed and discouraged. *i.e.,* there is a lot of mental tension. Such a situation will have the following adverse consequences:

(i) High rates of absenteeism and labour turnover.

(ii) Excessive complaints and grievances.

(iii) Frustration among the workers.

(iv) Friction among the workers and their groups.

(v) Antagonism towards leadership of the organisation.

(vi) Lack of discipline.

Low morale may be very fatal to the organisation as human relations will tend to deteriorate. Whatever may be the cause of law morale, organisation suffers ultimately because quantity and quality of production both suffer. Thus, in order to avoid these evil consequences, every manager should work to build and maintain high morale of the people working under him. Gor this, ge should have constant knowledge of the opinions and attitudes of the

Factors Influencing Morale

The main factors influencing morale are as follows:

1. **Nature of Work.** Meaningful and satisfying job helps to improve employee morale. In such a job each member of the group understands clearly how his specific task contributes to the attainment of group goals. Morale tends to be low when the job provides no challenge and satisfaction and job standards are considered very high.

2. **Working Conditions.** Physical work environment, job security, wages and other allied factors exercise a significant influence on employee morale. When the wages are fair, job is secure and there are opportunities for promotion, job satisfaction and morale are likely to be high.

3. **Supervision:** Competent, dependable and fair-minded leadership can build and maintain high morale. Such a leadership can win the confidence of employees through sympathetic and friendly behaviour. Lines of authority and responsibility are clear and communication system is effective.

4. **Interpersonal Relations:** The confidence of an employee in fellow employees influences morale. When a worker is confident that his co-workers are loyal to him and will provide advice and assistance whenever necessary his morale is likely to be good. Confidence of individuals in the goals of the group. A feeling of togetherness (group cohesiveness) and common goals tend to raise employee morale.

5. **Management Policies:** The policies and attitudes of management concerning promotion, transfer, etc. affect morale. Company's image in the employee's mind also influences morale. The attitudes and practices of managers in their dealings with workers affect morale.

6. **Personal Factors:** The age, education, occupation level and family life of an employee, determine his morale. Some research studies indicate that young, higher educated and low status employees tend to have lower morale. An employee's self concept, habits and family relations exercise a significant influence on his morale.

Determinants of Morale

1.	Pride in a general attitude toward the company.
2.	General attitude toward supervision.
3.	Satisfaction with job standards.
4.	Style of supervision.
5.	Work load and work pressure level.
6.	Attitude toward co-workers.
7.	The level of worker satisfaction with salary.
8.	Attitude toward formal communication system in the company.
9.	Intrinsic job satisfaction of workers.
10.	Attitude toward fellow workers.
11.	Treatment of individuals by management.
12.	Worker satisfaction with the progress and opportunities for further progression.

Source : Roach – Dimensions of Employee Morale, *Personnel Psychology*, 1958 (II), pp.419-431.

Assumptions in the Understanding of Morale

The following basic assumptions about people are significant because they are tied up closely with an understanding of what morale is:

(i) There are psychological uniformities which obtain among all tribes, nations and races.

(ii) Each psychological uniformity has a range through which it varies. Some variants are characteristic of particular groups of people and form a part of their culture.

(iii) Everyone is disturbed by the following general stresses: *(a)* Threats to life; *(b)* Discomfort arising from pain, heat, cold, fatigue and poor-diet; *(e)* Loss of the means of subsistence, whether in the form of money, job, business or property; *(d)* Deprivation of sexual satisfaction; *(e)* Enforced idleness; *(f)* Isolation; *(g)* Threats to children and other members of the family and to friends; *(h)* Restrictions on movement; *(i)* Dislike and ridicule to which one may be exposed, and rejection by other people; and *(j)* Capricious and unpredictable behaviour on the part of those in authority on whom one's welfare, depends.

The personnel management carefully analyses these different items of morale because workers vary greatly in their ability to face a situation of stress, and because it is capable of determining the impact which good or bad morale will have on the attainment of organizational objectives. By taking the necessary steps in time, it may improve the attitudes and morale of its employees.

Types of Morale

Morale is generally referred to as high morale or low morale. According to McFarland, "high morale exists when employee attitudes are favourable to the total situation of a group and to the attainment of its objectives. Low morale exists when attitudes inhibit the willingness and ability of an organisation to attain its objectives."

High morale is represented by the use of such terms as team spirit, zest, enthusiasm, loyalty, dependability and resistance to frustration. Low morale, on the other hand, is described by such words and phrases as apathy, bickering, jealousy, pessimism, fighting, disloyalty to the organisation, disobedience of the orders of the leaders, dislike of, or lack of interest in, one's job, and laziness. Morale is depressed by: *(i)* A too fine division of authority and responsibility;

(ii) Too many supervisors; *(iii)* An improper selection of personnel for new or expanded duties; *(iv)* Too much reliance on organisational charts; and *(v)* Too few real executives.

High or good morale is of tremendous importance for a management and its employees. It generally indicates: *(i)* Willing co-operation for the attainment of organisational objectives;

(ii) Loyalty to the organisation and its leadership; *(iii)* Good discipline or voluntary conformance with rules, regulations and orders; *(iv)* Strong organisational stamina, or the ability of an organisation to "take it" during times of emergency or difficulty; *(v)* A high degree of employee interest in the job and in the organisation; *(vi)* A reasonable display of employee initiative; and *(vii)* Pride in the organisation. Roethlisberger emphasises the importance of high morale when he says: "What physical health is to a physical organism, morale is to a co-operative system." Contrarily, low or bad morale generates an attitude of apathy, non-involvement and non-co-operation.

Morale and Productivity

Since morale manifests itself in the attitudes of workers, it is important to know about the results of high morale and low morale. One of the most unpredictable effects of the level of morale is its impact upon worker productivity. The review of the research studies do not show a direct relationship between morale and productivity. For example, the studies performed by Katz and Vroom showed no consistent relationship between a specific level morale and the productivity of the workers. Productivity sometimes is high with high morale, but at other times may be low even when morale is high, and vice versa.

Herzberg found that in 54% of the studies, high morale was related to high productivity while in 35% morale and productivity did not reveal relationship. In 11 % of the studies, high morale was associated with Tow productivity. Evidences support the view that level of satisfaction was directly related to performance on the job. Gellermen points out that "poor morale can cause strike, feathers-bedding, malingering and allied reactions which can lower the productivity of any kind of job. Moreover, lower morale may lead odd higher rates of turn over, absenteeism and accidents."

On the contrary, Davis finds some positive relationship between morale and productivity. But it is not absolute relationship. An increase in morale may either cause increases or decreases in productivity. A high morale reflects a predisposition to be more productive if attempts are made to provide effective leadership and coordinate various technical production factors.

On the basis of several research studies Miller and Form have given four combination of productivity and morale, viz.: *(i)* high productivity-high morale; *(ii)* low productivity high morale; *(iii)* high productivity-low morale; and *(iv)* low productivity-low morale. For this type of combination social dynamics in work group have been responsible.

The *first situation* is likely to occur when group goals (such as pride in work groups, group recognition, etc.) are satisfied, where individual goals including freedom on work, good wage rates, intrinsic job interest etc., are satisfied leading to motivation of the employees to accomplish high standards of performance and where high productivity leads to high morale which in turn, reinforces high productivity.

The *second situation* may occur when individual goals, rather than those causing high productivity (such as desires for good working conditions, pleasant fellow workers, etc.), are satisfied, where the individual behaviour is determined by informal groups causing restriction of output, where supervisors lack technical and administrative skills lowering productivity of high morale group and where workers lack adequate skills or training leading to low-productivity by high morale.

In *third situation,* supervisor is only able to increase productivity through his skills or planning ability rather than through motivation, where supervisory practices give rise to high productivity by use of penalty (such as loss of payor loss of job).

The *fourth situation* occurs where factors obtained in combination of high productivity-high morale are lacking.

It will, thus, be observed that there is a complexity of relationship between morale and productivity.

If a worker's attitudes/perception lead to a state of high morale, other positive effects may result with high morale, workers tend to exhibit a willingness to co-operate; employees tend to be more satisfied with existing conditions; they tend to be more willing to observe company rules; labourers are careful in handling company property and equipment; workers show a loyalty and respect toward their company; people work together harmoniously; and individuals do their job without grumbling. High morale also' tends to reduce absenteeism, tardiness, and employee turnover.

If morale is low, many of the effects will be just the opposite of the effects stated above.

Relation between Morale and Productivity

It is generally assumed that morale and productivity have a direct relationship with each other, *i.e.*, they are positively correlated. Human relationists contended that *high morale and high productivity always go together like the east and west sides of an elevator.* it was argued that high productivity results because the workers with high morale do not skip work, are the least trade, show good team spirit and contribute their best to the attainment of organisational objectives, even now, many managers feel that if the workers have high morale, their productivity will also be high. But this is not always true.

Generally, there is some positive correlation between morale and productivity, but they are not absolutely related, *i.e.*, an increase of 10% in morale does not guarantee a proportionate increase (*i.e., 10%*) in productivity. It is quite possible that morale may increase with either favourable or unfavorable shift in productivity as shown in Figure 13.1. Many research studies have shown that relationship between morale and productivity is not so direct because morale is only one of the factors unfluencing productivity. Many other factors like old technology, use of penalties, training, style of supervision and nature of individuals also influence productivity. Therefore, it is possible to find productivity. This means that workers who perform very well in their work do not necessarily have high morale.

Morale	High Morale * Low Productivity	Low Morale * Low Productivity
	Low Morale *	Low Morale *

Productivity ➲

Figure 13.1: Relation between Morale and Productivity

There are four possible combinations of morale and productivity, *viz.,*

(i) high morale and high productivity,

(ii) high morale and low productivity,

(iii) low morale and low productivity, and

(iv) low morale and high productivity.

High productivity goes with high morale when the workers are highly motivated, the supervision is considerate of workers and the workers are highly trained. This is an ideal state and makes the best possible use of human resources. As said earlier, morale and productivity are not absolutely related. They may not increase in the same proportion. An exactly reverse situation could be that of low morale and low productivity.

High morale is associated with low productivity when the employees are merely happy and they are not properly motivated do work. Other reasons of low productivity may be inefficiency of supervision, faulty materials and old technology, and low degree of employee skills. It is also possible that low morale is associated with high productivity. But high productivity with low morale cannot be sustained for long since will to work is a very important factor. Will to work moulds workers' attitude towards the job, supervision, and organisation and its policies.

Thus, the relationship between morale and productivity is not predictable. It will differ from organisation to organisation and from time to time. It may happen that high productivity brings high morale with it. This happens when the group of workers perceives high productivity as a path os group goal fulfillment. But when a group sets the norm of production for its members, their productivity will not increase even though their morale is increased. High morale will be associated with low productivity because workers derive satisfaction through fulfillment of social needs for belonging and affiliation by conforming to group norms.

Relationship of Morale and Productivity

Research shows no direct and consistent relationship between morale and productivity. Productivity sometimes is high with high morale but at other times productivity may be low even when morale is high. For instance. Herzberg found that in 54% of the studies, high morale was related to high productivity while in 11% cases, high morale was associated with low productivity. In 35% there was no relationship between morale and productivity.

There can be four combinations of morale and productivity:

1. **High Morale-High Productivity**: High morale reflects a predisposition to be more productive if proper leadership is provided. This situation is likely to occur when employees are motivated to achieve high performance standards through financial and nonfinancial rewards. Complete identity between individual and organisation goals can lead to this situation.
2. **High Morale-Low Productivity**: The situation arises when employees spend their time and energy in satisfying their personal objectives unrelated to the company's goals. Fauly machinery, lack of training, ineffective super-vision and restrictive norms of informal groups can also lead to low productivity on the part of employees with high morale.
3. **Low Morale-High Productivity**: Low morale cannot result in high productivity for a long period. However, this situation can occur for a temporary period due to fear of loss of job, exceptionally good supervision and machine paced work in which only a part of workers' capabilities are used.
4. **Low Morale-Low Productivity**: This is a normal relationship. In the long run low morale is likely to result in low productivity.

High Productivity

	High Morale High Productivity	Low Morale High Productivity
High Morale	High Morale	Low Morale

Low Productivity

Fig. 13.2: Morale Productivity Matrix.

Thuse there is a complex relationship between morale and productivity. This is because morale is only one of the factors influencing productivity.

Job Satisfaction

The term job satisfaction was brought to limelight by Hoppock (1935). According to him job satisfaction is a combination of psychological, physiological and environmental factors that makes a person to admit, "I am happy at my job." It has also been defined as the 'end state of feeling.' It is an important dimension of morale not morale itself. As there is no proper definition of job satisfaction, it has been considered as a state of and condition where people are: (1) induced to do work efficiently and effectively; (2) convinced to remain in the enterprise; (3) prepared to act efficiently during contingencies; (4) prepared to welcome the changes without resistance; (5) interested in promoting the image of the organisation; and (6) more happy and satisfied with their job.

Generally, morale refers to the attitude of the worker and relates to group while job satisfaction is an individual feeling which could be caused by a variety of factors. While industrial morale is a collective phenomenon, job satisfaction is a distributive one. Job satisfaction refers to a general attitude towards work by an individual worker. On the other hand, morale is a group phenomenon which emerges as a result of adherence to group goals and confidence in the desirability of these goals.

There are two variables which determine the job satisfaction - organisational and personnel. The level of job determines the job satisfaction. The higher the level of the job, the greater the satisfaction of the individual. This is because of higher level jobs carry greater prestige and self-control. This relationship between occupational level and job satisfaction stems from social reference group theory in that our society values some jobs more than others. Hence people in valued jobs will like them more than those who are in non-valued jobs. The relationship may also stem from the need fulfilment theory. People in higher level jobs find most of their needs satisfied than when they are in lower level ones. In addition, there are also other organisational variables like job content, type of leadership pay and promotional prospects, interaction in the work group which affects job satisfaction of a person.

The personal variables like age, educational level, sex, and so on are also responsible for satisfaction and dissatisfaction of some people.

Morale and Performance

It has been pointed that "there is a little evidence in the available literature that employee attitudes bear any relationship to performance on the job." The evidence available is rather confusing. There are three schools of thought, and probably all are correct to some extent.

First, there are some who assert that high satisfaction leads to high performance. The "Hawthorne" studies of 1930s seem to support this view, as do findings of other studies.

Second, others take an opposite view. For example, Lyman Porter and Lawler say that satisfaction results from high performance; because most people experience satisfaction by accomplishing more tasks, like building a radio, or clinching a sale.

Third, still others claim that there is no consistent relationship between morale and performance. Vroom found significant relationship between morale and performance in only 5 out of 22 studies undertaken by him.

Thus, although it is difficult to say if morale and performance are related, some employees do indeed work harder when they are more satisfied - with their pay, with the job itself, with working conditions, etc. Contrary to this, there are some persons whose performance starts to decline because the "incentive" is gone (i.e., they are satisfied with enough security or enough payor a good job). Still there are some employees for whom morale and performance are more or less unrelated.

Measurement or Evaluation of Morale

The indicators of morale are the various attitudes and behaviour patterns of employees, which have to be properly and correctly interpreted to determine the kind of organisational climate and mores which prevail at a given time. Since it is an intangible and subjective concept, it cannot be directly measured or evaluated. Employees may be unwilling to express their feelings of satisfaction or dissatisfaction with their job to the management. The questionnaires administered to them may not reveal their attitudes;

Measurement of Morale

Morale is an intangible and subjective concept. Therefore, it cannot be measured directly. Employees are reluctant to express their true attitudes towards the work and management. The following methods are used to measure morale.

1. **Observation:** Management can identify any change in the level of morale by keenly observing the talks, gestures and behaviour of employees. Any departure or deviation from the normal way indicates something wrong which requires remedial action. According to Haimann, "the supervisor is in the best position to

measure by observation the morale of his subordinates from day-to-day. But he must sharpen his powers of observation and not brush aside any worthwhile indicator. The serious shortcoming of observation as a yardstick for measuring current morale is that activities and events indicate a change to a lowered morale, which has already occurred. The manager should, therefore, be extremely keen in his observation so that he may do as much as is possible to prevent such damages."

2. **Attitude or Method:** This method is generally used to discover the feelings of employees towards their jobs, their supervisors, company policies and the organisation as a whole. Attitude surveys are conducted in two ways:

   (i) Interview Method: Under this method a face to face talk with employees is arranged. The interviewer asks several questions to judge the feelings and opinions of employees. It is a comprehensive and sensitive method. But it is very time consuming and expensive when the number of employees is large.

   (ii) Questionnaire Method: In this method a list of questions is given to employees. They are asked to tick the right answer to each question. It is less time consuming and more economical. But the response is likely to be poor.

   Attitude surveys represent a formal and systematic way of ascertaining employees attitudes and training needs. These surveys provide a concrete evidence of management's interest in employees and provide a channel of upward communication. Employees get an opportunity to express their dissatisfaction and frustrations. However, morale surveys involve judgment and bias and can be useful only if they are properly and regularly conducted.

3. **Company Records and Reports:** Records and reports of personnel department about labour turnover, absenteeism, employees grievances, spoiled work, strikes, etc. are good indicators of the level of employees morale.

Guidelines for Conducting Attitude Surveys

1. Ensure full support of top management.
2. Assign responsibility for the conduct of survey and feedback to proper persons.
3. Decide in advance the objectives of the survey and the information needed.
4. Select appropriate measuring device-interview or questionnaire.
5. Design the questionnaire properly and pretest it in a small pilot study.
6. Select the respondents confidential.
7. Keep the identity of respondents confidential.
8. Obtain cooperation of all concerned before actual survey.
9. Develop right administration and scoring techniques.
10. Make plans for dealing with lack of response/indifferent response.
11. Periodically follow up the surveys and make improvements with the help of feedback.

Measures for Building High Morale

Morale building is a difficult exercise as it involves removing misconceptions, changing attitudes and dealing with emotions. The following measures may be helpful in improving employee morale.

1. **Proper Work Environment:** Adequate lighting, proper ventilation, noise free work place, regular rest periods and other facilities should be provided to workers. Congenial work environment helps to improve attitudes of employees.
2. **Job Security:** When employees are under a constant fear of losing the job, their morale cannot be high. Therefore, reasonable security of job should be guaranteed.

3. **Sound Compensation System:** A just and fair wage structure with proper incentives for efficient performance is very helpful in building morale.
4. **Sound Promotion Policy:** Adequate opportunities for career growth and advancement is essential for raising the morale of ambitious and hardworking employees. It provides recognition for achievements and inspires employees.
5. **Creation of Whole Jobs:** A complete job should be assigned to an employee. Jobs should be enlarged to provide variety of tasks. Flexible working hours and job sharing may also be helpful in raising morale.
6. **Job Enrichment:** Job enrichment provides recognition, growth and responsibility. Greater authority should be delegated to provide work autonomy to the employee. Job rotation also helps to improve employee morale.
7. **Grievance Procedure:** A sound procedure should be installed for quick and impartial redressal of employee grievances. Such a procedure will help to avoid dissatisfaction and negative attitudes among employees.
8. **Suggestion Scheme:** Management should install a proper system by which employees can suggest changes. Useful suggestions should be rewarded and widely recognised. This will create a sense of involvement and loyalty among workers.
9. **Employee Counseling:** Managers should regularly provide guidance, advice and assistance to employees to help them in tackling their personal and work-related problems. Counseling will create confidence among employees and improve their attitudes.
10. **Workers' Participation in Management:** Participation of employees in the process of decision-making helps to improve mutual understanding. It also promotes team spirit and sense of belonging among workers.

Morale Building

Maintaining reasonable level of morale is not an easy job. Some of the important steps that need to be taken up by management, that too on a continuous scale, are listed below:

a. ***Remuneration:*** The remuneration must be fair and equitable. It should be fair in relation to employees' skills and abilities and equitable in relation to the wages prevailing in the industry.

b. ***Job security:*** The employee must be secure of his job and its continuity.

c. ***Participation:*** Employees must be treated as 'resources', not as 'tools'. They must be allowed to participate in all important decisions affecting their lives in the organisation. Participation makes employees more committed to their job and allows them to exchange their ideas, suggestions with others.

d. ***Job enrichment:*** Enrichment is a process of making jobs more responsible, challenging and interesting. Enriched jobs offer employees opportunities for achievement, recognition and growth.

e. ***Organisation structure:*** Tall structures increase the distance between the manager and his employees. Communication gets distorted often and control control becomes difficult. Flat structures permit the employee to mote closer to the manager and discuss the implication of commands on a face-to-face basis. A healthy interchange of ideas can take place often, paying the way for a positive work climate.

f. ***Grievance redressal:*** Many a time, grievances are the cause of low employee morale. The use of a well-established procedure helps in redressing employee grievances promptly. The case of the employee is presented to the appropriate authority in time putting an end to unpleasant arguments and conflicts.

g. ***Employee counsellors:*** Companies can have the services of behavioural scientists in order to tackle important cause of poor employee morale, i.e., absenteeism, tardiness, turnover, etc. the counsellor's basic function is to assist employees with their problems and complaints and put them on the right track promptly.

h. ***Sound leadership:*** Top management must be genuinely interested in the employees at all levels. They must undertake sound human resources practices (prompt grievance redressal, safety measurers, discipline rules, welfare activities, equitable compensation schemes) for building good employee relations. They must listen to the problems of employees (remember not to frustrate or dampen the spirits) through their actions. Morale surveys, absenteeism and turnover records, observation and listening, all help in initiating steps promptly. The attempt, in the final analysis, must be to improve the mental health of employees.

Measures to Tone up Morale

It is very difficult to build and maintain high morale. It is marching ahead without knowing the end of the journey. Morale is not a tangible thing, so it is difficult to measure the degree of morale. Morale building is a perpetual process, which cannot be stopped even for a moment. Morale cannot be maintained at a high level for ever. It is dynamic, it keeps on fluctuating.

Moral building may be done either on individual basis or on group basis. Morale building on group basis is always preferable. Group morale can be increased by understanding the group dynamics. It will automatically achieve the individual morale. In order to achieve high morale among the employees, the following suggestions may be followed:

(i) **Fair Remuneration:** Considering the nature of job, cost of living and pay scales of other companies, the wage structure should be properly evaluated, since this is the most important factor affecting the employee morale. The basic and incentive pay plans should not only be fair, but should also bear fair relationship among themselves.

(ii) **Incentive System:** There should be a proper incentive system in the organisation to ensure monetary and non-monetary rewards to the employees to motivate them.

(iii) **Congenial Working Environment:** The conditions under which workers are made to work should be congenial for their mental and physical well-being. Adequate provision of light, air, safety, sanitation and cleanliness, noise prevention, smoke and fumes clearance, should be made for physical and mental comfort and satisfaction. The rest rooms, recreation facilities, canteen and cafeteria, gardening, medical, first aid and such other facilities may help in boosting the employee morale.

(iv) **Job Satisfaction:** The employees should be properly placed on the jobs according to their merits, aptitudes, interests and capabilities. A well placed employee takes pride and interest in his work and feels satisfied.

(v) **Two-way Communication:** There should be two-way communication between the management and the workers as it exercises a profound influence on morale. The workers should be kept informed about the organisation policies and programmes through conferences, bulletins and informal discussion with the workers. Workers should be allowed to ask questions and satisfy themselves about their doubts.

(vi) **Training:** There should be proper training of the employees so that they may do their work efficiently and avoid frustration. When the workers are given training, they get psychological satisfaction as they feel that management is taking interest in them.

(vii) **Workers' Participation:** There should be industrial democracy in the organisation. Management should allow workers' participation in management. Whenever a change is to be introduced which affects the workers, they must be consulted and taken into confidence. Workers must be allowed to put forward their suggestions and grievances to the top management.

(viii) **Social Activities:** Management should encourage social group activities by the workers. The will help to develop greater group cohesiveness which can be used by the management for building high morale.

(ix) **Counselling:** Large organisations may appoint trained psychologists to act as counsellors for employees. The employees who do not wish to go to their supervisors for their problems can go to the counsellor, who is considered a man outside the chain of command and who enjoys staff position in management. Such system, if properly and impartially constituted, may play a vital role in finding out the troubles and eliminating the dissatisfactions. The counselling interview provides an opportunity to employees to "blow-off steam" since the counsellor is impartial, and the confidence and identity of the employees is preserved. The release of emotional tension alone may serve to minimise the dissatisfactions. Keith Davis has described five additional functions of such counselling which can be important in developing good morale. These are (i) providing the employee with advice and assistance concerning his dissatisfaction, (ii) giving him reassurance and courage to face his problem, (iii) providing information to the employee about company policies as well as accumulating information for management concerning employee feelings and attitudes, (iv) assigning the employee to think his own problem more clearly, and (v) reorienting the employee's basic goals and values.

Morale and Productivity

Generally it is believed that high morale will lead to high productivity. However, Prof. Keith Davis points out that there is not always a positive correlation between the two. A manager can push for high productivity by using scientific management, time studies and close supervision. High production and low morale may result, but it is doubtful whether this combination can last. The opposite can also occur – there can be low production with high morale. In this case, the manager works so hard to please his subordinates that they are too happy to work hard for themselves. Relationships between morale and productivity are shown through Figure 13.3.

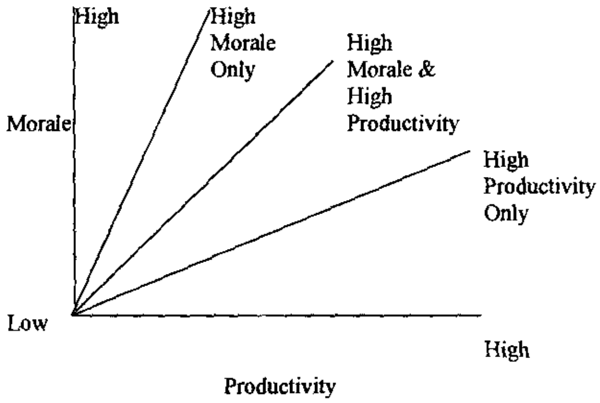

Figure 13.3: Morale and Productivity Relationship

Research carried out by Rinses Likert indicated the fact that there can be different combinations of morale and productivity: high morale and low productivity, high morale and high productivity: low morale and high productivity; and low morale and low productivity as Figure 13.4 shows:

High	Low Productivity High Morale	High Productivity High Morale
Moral Low	Low Productivity Low Morale	High Productivity Low Morale

Figure 13.4: Morale and Productivity

In the final analysis, a manager has to work for improving the morale of his employees. High morale makes the work more pleasant and will go a long way in improving the work climate.

It helps the work group to attain goals easily, smoothly and more importantly, in a highly cooperative manner.

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Chapter 14
Productivity

Introduction

In a broad sense, the term 'productivity' represents goods and services produced in relation to the resources utilised in their production. It may be defined as the ratio of output to input. Higher productivity means efficient use of inputs and vice versa. According to Peter Drucker, productivity represents the balance between all factors of production that will give the greatest output at the smallest effort. In technical terms, productivity may be defined as a relationship between output and input.

According to the International Labour office: "*The ratio between output and one of the factors of input is generally known as productivity of the factors considered.*" Thus, productivity means the ratio between output and any of the factors of production, say, labour, capital, materials, land, etc.

Generally, the term 'productivity' is used synonymously with the productivity of labour. The International Labour Organisation opined that in as much as interest most often centred around the relationship of production an labour, the term 'productivity' always refers to output to the corresponding input of labour. Though there is a difficulty in arriving at the homogeneity concerning labour due to difference in scale, energy, training, environment incentive, rates of pay, etc., this ratio of output to labour is universally acknowledged to have some uniformity, subject to those limitations mentioned and probable adjustments in actual working out of the productivity in quantitative terms.

The above definition is criticised on the ground that it does not take into consideration all the factors of production, though all of them have combined influence on total production or output. Nonetheless, labour is selected as the unit of input factor for various reasons. Firstly, labour force is one of the most important resources. Secondly, the labour time is more readily measurable than other input factors, and it is used in almost all the industries. Thirdly, productivity of labour has an influence on the cost of production and standard of living. Lastly, all other factors of production are subject to law of mechanics, i.e., their output is increased in a more or less fixed proportion to their input.

Production vs. Productivity

There is a difference between the two terms, namely, production and productivity. If inputs are increased and a larger production is obtained, it does not necessarily result in increased productivity. But if production is increased with the use of the same inputs or the same output or production is achieved with less inputs, productivity is said to have increased. Production is concerned with the end results of the contribution of various factors of production in the share of volume, value or quantity of goods and services turned out by a plant, whereas productivity views the volume, value or quantity of production in relation to the resources utilised in the production of such goods and services. Thus, productivity shows the efficiency of the production unit whereas production represents the total volume of output produced or manufactured.

Measurement of Productivity

Productivity (in general terms)	=	Output/Input.
Productivity of Labour	=	Output/Number of labour hours worked.
Productivity of Machine	=	Output/Number of machine hours worked.
Productivity of Capital	=	Output/Net Capital employed.
Productivity of Material	=	Output/Weight, volume, number or length of raw material used.
Productivity of Land	=	Total production of land/Area of land used.

Significance of Productivity

Whether it is a free enterprise economy or a socialistic economy or a mixed economy, the stress is given on higher productivity. According to Prince Phillip, "No amount of economic juggling can alter the fact that into the long-run our solvency depends on the efficiency of our industries and upon the national productivity. Productivity will be in the long-run the main factor in the victory of any economic or social system. Economic growth is due to rising productivity and a growth theory will be incomplete without a welfare postulate. The level of living is a matter of higher productivity and an increase in productivity leads to an increase in economic welfare." Harrod has also stated that there is no shortcut to economic growth except raising the rate of productivity. In the longrun, productivity is the main factor in the success of any economic system.

The relationship between productivity and economic growth is almost self-explanatory. Productivity is an important element in the process of economic growth. When the productivity in an industry is increased, the rate of economic growth is increased automatically. Increase in productivity in an industry leads to higher production with the most economical use of the available resources. In other words, the cost of production is decreased. This benefits the customers by reducing the prices, the workers by increasing their wages, and the entrepreneur by increasing profits. Since the income of the people increases, their demand is also increased. Increase in demand makes it possible to start new industrial units and generate more employment. Thus, it is obvious that higher productivity is instrumental in the economic growth of any nation.

The drive for higher productivity makes the manager conscious about the most economical use of the available factors of production. The productivity drive has higher significance in case of developing countries, which are facing the problems of inadequacy of capital raw materials, managerial personnel, etc.

The advantages of higher productivity are as follows:

(i) Increase in the efficiency of various factors of production.

(ii) Economic use of various factors of production. This decreases the cost of production per unit.

(i) Decrease in overhead costs.

(ii) Better quality of goods at lower price. This has the impact of increasing the standard of living of the people.

(iii) Increase in wages and salaries to the workers. The workers also get better working conditions and higher bonus.

(iv) Profits are increased and this facilitates internal financing of expansion.

(v) Better economic strength and stability of the enterprise.

(vi) Overall growth of the economy as has been discussed earlier.

Concept and Definition of Productivity

Policy formulation in modern times has become a very complicated and time-consuming phenomenon. Business enterprises now-a-days wants to plan their future strategies from its past performance. There are number of measures viz. **Productivity, Profitability, rate of return etc.** to illustrate the past performance. All these indicators are some sort of direct or indirect relationships between input and output factors. But none of the measures is able to determine or evaluate the overall performance of an enterprise. In this section one of these measures namely Productivity is discussed in detail.

The only way of raising the living standards of the society is to increase productivity. Productivity can be increased by increasing output from each unit of input.

Concept of Productivity

In general sense, productivity is some relationship between inputs and output of an enterprise. It is the quantitative relationship between what we produce and the resources used. The concept of productivity measurement is many sided. It can relate to every item/activity on which money is spent to get the final product. Some of the definitions given below explain the fundamental concept of productivity.

Definitions of Productivity

(i) Productivity is a measure of how much input is required to produce a given output i.e. it is ratio of output to input.

(ii) Productivity is the ratio between the amount produced and the amount of resources used in the course of production. The resources may be any combination of materials, machines, mentioned page.

(iii) European Productivity Council defines "Productivity is an attitude of mind. It is a mentality of progress, of the constant improvement of that which exists. It is the certainty of being able to do better than yesterday and continuously. It is constant adaptation of economic and social life to changing conditions. It is the continual effort to apply new techniques and methods. It is the faith in human progress."

(iv) I.L.O. generally takes productivity to mean. "The ratio between the volume of output as measured by production indices and the corresponding volume of labour input as measure by producting indices and the corresponding volume of labour input as measured by employment indices."

(v) Organisation of European Economic Community (OEEC) defines productivity as the ratio between the production of given commodity measured by volume and one or more of the corresponding input factors also measured by volume.

Thus there can be a number of measures indicating the level of performance corresponding to each input. In general sense, productivity is measure of how much input is required to produce a given out i.e.

$$\text{Productivity} = \frac{\text{Measure of output}}{\text{Measure of input}}$$

Inputs in a business organisation can be labour, capital, etc. The measures can be expressed in terms of money value of in terms of quantity.

In most cases output will be goods and services produced, for which input will be men, money, equipment, power, plant facilities and other items used in the process of production. Total productivity of the firm can be defined as

$$P_T = \frac{Q_T}{L+C+R+M}$$

Where P_T : Total productivity

L : Labor Input

C : Capital Input

R : Raw material and purchased parts input

M : Other miscellaneous goods and services input factors

Q_T : Total output

All the input and output factors are measured in some common unit.

Productivity is a measure of how well the resources are utilised to achieve given objectives.

Importance of Productivity

The concept of productivity is of great significance for undeveloped and developing countries. In both the cases there are limited resources which should be used to get the maximum output i.e. there should be tendency to perform a job by cheaper, safer and quicker ways. The aim should be optimum use of resources so as to provide maximum satisfaction with minimum efforts and expenditure. Productivity analysis and measures indicate the stages and situations where improvement in the working of inputs is possible to increase the output

The productivity indicators can be used for different purposes viz. comparison of performances for various organisations, contribution of different input factors, bargaining with trade unions etc.

Role of Productivity

The significance of productivity in increasing national welfare is now universally recognised. There is no human activity that does not benefit from improved productivity. This is important because more of the increase in gross national income, or GNP, is produced by improving the effectiveness and quality of manpower than by using additional labour and capital. In other words, national income, or GNP, grows faster than the input factors when productivity is improved.

Productivity improvement, therefore, results in direct increases in the standard of living under conditions of distribution of productivity gains according to contribution. At present, it would not be wrong to state that productivity is the only important world-wide source of real economic growth, social progress and improved standard of living.

For example, the report of the Singapore National Productivity Board on a Productivity Survey in 1984 says that more than half of the contribution to the increase in per capita gross domestic product (GOP) in Singapore is attributed to labour productivity for the period 1966-83. This means that labour productivity has been the main factor in the rise in Singapore's standard of living, as attested by a fourfold increase over the past 17 years.

At the same time, we can easily see the effect of low productivity in the Philippines. The vast majority of increases in the country's total output (97.7 per cent) from 1900 to 1960 are due to increases in the extensive factors of production (that is, the use of more resources) and only 2.3 per cent can be attributed to productivity. This highlights a key defect in the process of long-term economic growth in the Philippines - the fact that it has been input-intensive.

Thus, changes in productivity are recognised as a major influence on many social and economic phenomena, such as rapid economic growth, higher standard of living. improvements in a nation's balance of payments, inllation control, and even the amount and quality of leisure. These changes influence wage levels, cost/price relationships, capital investment needs and employment.

Productivity also largely determines how competitive a country's products are internationally. If labour productivity in one country declines in relation to productivity in other countries producing the same goods, a competitive imbalance is created. If the higher costs of production are passed on, the country's industries will lose sales as customers turn to the lower cost suppliers. But if the higher costs are absorbed by industries, their profit will decrease. This means that they have to decrease production or keep production costs stable by lowering real wages.

Some countries that fail 'to keep pace with the productivity levels of competitors try to solve their problems by devaluing their national currencies. But this lowers real income in such countries by making imported goods more expensive and by increasing domestic inflation.

Thus, low productivity results in inflation, an adverse balance of trade, poor growth rate and unemployment.

Figure 14.1 presents a simplified casual relationship between n any variables and factors affecting productivity.

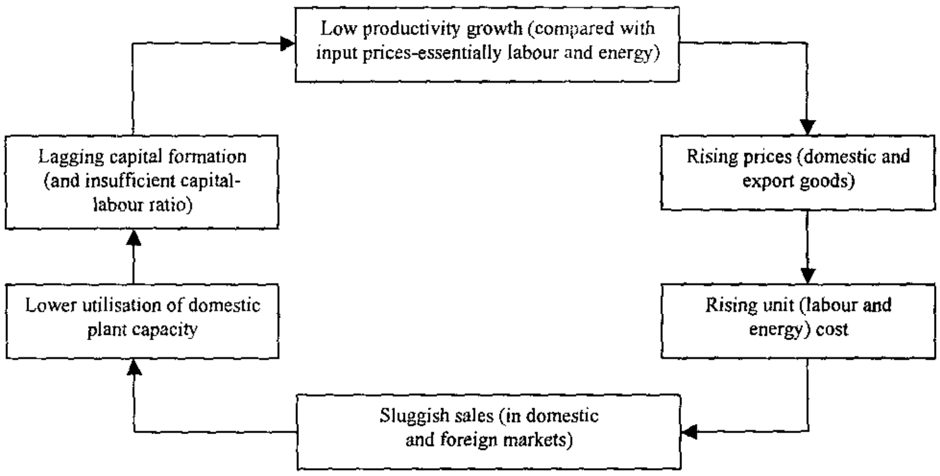

Figure 14.1: Model for a low-productivity trap

It is clear, then, that the vicious circle of poverty, unemployment and low productivity can be broken only by increasing productivity. Increased national productivity not only means optimal use of resources, but also helps to create a better balance between economic, social and political structures in the society. Social goals and government policy largely define the distribution and utilisation of national income. This in turn influences the social, political, cultural, educational and motivational work environment which affects the productivity of the individual and the society.

Factors Affecting Productivity

All the factors which are related to input and output components of a production process are likely to affect Productivity. These factors can be divided in two main categories, namely:

Category I

(a) Primary factors are effort and working capacity of an individual.

(b) Organisational factors are related to the design and transformation process required to produce some item, the nature of training and other skill imparted to workers to perform certain operations in a production process, control and various other incentives.

(c) Conventions and traditions of the organisation e.g. activities of labour unions, medical facilities, workers and executives understanding etc.

Category II

(i) **Factors related to output:** research and development techniques, improvement in technology and efficient sales strategy of the organisation will lead to improvement in output.

(ii) Efficient use of input resources, better stores control, production control policy, maintenance of machines etc. will minimise the cost of production.

The factors listed in categories I and II can be further divided in four major classes viz. (i) Technological, (ii) Managerial (iii) Labor and (iv) External factors.

The technological factors can increase the output per unit of input substantially, these can be defined interms of technology employed, tools and raw material used etc.

Managerial factors can be located in organisational structure, scheduling of work, financial management layout, innovations, personnel policies and practices, work environment, material management etc.

Labor factors are characterised by the degree of skills of the work force, health, attitude towards management. training, discipline. Greater the congruence between the skills of work force and technology employed better would be the productivity.

External factors are innumerable and identifiable in the environment with which an organisation has to interact e.g. the power and transport facilities, tariffs and taxes etc. have important bearing on the levels of productivity.

Some of these factors are controllable and some are uncontrollable and a demarcation should be made between the two.

Ways of Increasing Productivity

Productivity can be increased in a number of ways. If can be increased either by reducing the input for the same level of output or by increasing the output with the same level of input or by combination of both. This can be achieved by elimination of waste, by using improved technology, better production design and management efforts. There can be increase in productivity by reducing downtime of maintenance, reduction in material input, better quality of goods, improved utilisation of resources, reduction in working capital requirements. reduction in inventory size, improvement in manpower skills through training etc. Output can be increased by better leadership management. When employees are better motivated output can be increased.

Decision making is a key factor, which affects productivity. Better decisions obtained through adequate and timely information systems definitely will improve effectiveness and efficiency of the organisation.

Techniques to Improve Productivity

Productivity can be considerably improved by improving the performance of various factors affecting productivity. The measures to improve productivity can be:

(i) Better planning and training of employees, improved jobs and communication and effective management through CPM/PERT methods.

(ii) Use of time and motion studies to study and improve work performance. It enables to assess the quantum or work which can be used for planning and control.

(iii) Better transportation and material handling system.

(iv) By providing work incentives and other benefits to workers.

(v) Workers involvement in decision making and working of organisations.

(vi) Improvement in technology of production process and nature of raw material and its quality.

(vii) Simplification, standardisation and specialisation techniques.

(viii)Better and efficient utilisation of resources at the disposal of the enterprise.

(ix) Use of linear programming and other quantitative techniques for better decision making.

(x) ABC analysis to identify more important items and then apply inventory control to reduce capital investment.

(xi) Value engineering to reduce material content by good design.

Measurement of Productivity

There are a number of ways to measure productivity. The main criterion of measuring productivity are:

(i) In terms of input performance by calculating changes in output per unit of input.

(ii) On the basis of output performance by calculating change in input per unit of output.

Following are some of the measures in common use:

(a) $\text{Labor Productivity} = \dfrac{\text{Amount of output}}{\text{Amount of Labor}}$

Where output can be measured in total quantity produced and labour can be measured in total manhours required to produce that output. Output and labour can also be measured in terms of their value in money units.

(b) $\text{Capital Productivity} = \dfrac{\text{Turn over}}{\text{Capital employed}}$

(c) $\text{Profit Productivity} = \dfrac{\text{Profit}}{\text{Investment}}$

(d) $\text{Energy Productivity} = \dfrac{\text{Output}}{\text{Quantity of energy used}}$

(e) A general measure of productivity can be defined as

$$\text{Productivity} = \frac{\text{Output}}{\text{Labor} + \text{Capital} + \text{Other inputs}}$$

Each kind of measure needs some specific kind of information. The appropriate measure can be selected on the basis of the information available and the objective of the investigation. In fact the measure of productivity indicates the performance of inputs namely labour and capital in an enterprise. Increase in output is not an indication of increase in productivity. Production is an absolute measure and productivity is a relative measure.

Productivity and Input Output Analysis

Input-output analysis is a method to study the interdependence of input and output factors of a production system. It tries to locate the equilibrium between input and output factors. If Y denotes the final demand of an industry and A is the matrix of inputs, then the output for each industry can be determined by the relation

$$X = (1\text{-}A)^{-1}\,Y$$

where 1 is the identity matrix and X is the matrix of estimated outputs. (1-A) is known as Technology matrix.

Input-output analysis can be used to study the productivity of an enterprise. The index of productivity can be defined as

$$\frac{Q_1\,(1\text{-}A_1)'\,P_o}{Q_o\,(1\text{-}A_o)'\,P_o}$$

where P_oQ_o is the value of output in base year and Q_1P_o is the output value in current year based on base year Prices. $(1\text{-}A_1)$ is technology matrix in current year and $(1\text{-}A_0)$ is technology matrix in base year.

Productivity and Work Study

Work study is an important tool in the hands of management for achieving greater productivity in the organisation. *It is an analytical study of the use of workers, materials and equipment in order to improve existing methods and work performance by elimination of every type of waste.* Taylor recommended the technique of time study for work measurement and determination of time standards. Gilbreths devised the technique of motion study to carry out work study. It may be noted that motion study also includes fatigue study to eliminate unnecessary fatigue. Thus, work study covers both time study and motion study for work measurement and work improvement.

A team from International Labor Organisation demonstrated to the managements that given adequate supervision with the same plant and equipment the existing staff could secure distinct improvements in productivity. Labor is an important input and plays significant role in attaining desired level of productivity. The productivity of an organisation can be improved by improving the performance of labour.

It is observed that increased incentive lead to better performance. This coordinates the objectives of individuals into industry's objectives sometimes without any genuine increment of effort on the part of the worker, his output may increase just by learning new methods. By introducing work study methods and evolution of new methods and procedures of doing work, productivity can be improved. However, method study is not exclusively directed upon the operator. It gives due attention to other inputs also.

Objectives of Work Study

The objectives of work study are as follows:

(i) Effective use of manpower.

(ii) Effective use of methods, machines and equipment.

(iii) Effective layout of plant.

(iv) Elimination of unnecessary human motion.

(v) Simplification and standardization of operations.

(vi) Measurement of time required to perform an operation and establishment of standard level of performance for each worker.

Work Measurement

Work measurement deals with assessing the time content of a job performed by an operator to determine the proper time to be allowed and the efforts required for the efficient performance of a job. R.M. Curie has defined work measurement as '*application of techniques designed to establish the time for a qualified worker to carry out a specified job at a defined level of performance*". Work measurement involves determination of proper time required for the job and that is why it is popularly knows as *'time study'*. Time study or work measurement is a major component of the work study. Its advantages are as follows:

(i) Work measurement determines the normal time for a job and thereby serves as a basis of a sound wage incentive system.

(ii) The standard time determined by work measurement helps in labour cost control.

(iii) Work measurement provides the relevant data for efficient work planning and control.

(iv) Work measurement facilitates effective manning of plant and equipment.

(v) Work measurement technique can be useful in reducing the time and cost involved in the proposed production orders.

Work Measurement vs. Work Improvement

Work measurement is the study and analysis of time taken in the performance of a specific task. Work improvement denotes the study of methods and techniques of production for increasing efficiency. These two concepts are interlinked with each other because both of these aim to increasing productivity. Efficient work improvement is a pre-requisite of work measurement. Work improvement uses the techniques of motion study, process analysis, plant layout and materials handling whereas work measurement involves time study, work sampling and synthetic standards. Work improvement is done to suggest the best method of doing the job whereas work measurement helps in fixing fair day's work, laying down wage incentive plans, and production planning and control.

Factors Influencing Industrial Productivity

The factors affecting industrial productivity are inter-related and inter-dependent and it is a difficult task to evaluate the influence of each individual factor on the overall productivity of industrial units. The impact of certain important factors is briefly examined below:

(i) **Technological Development:** Technological development plays an important part to influence the industrial productivity. "The application of motive power and mechanical improvement to the process of production have accelerated the pace of industrialisation to an unprecedented degree, and has given us the vision of the vast and unexplored frontiers that still lie ahead of us in the realm of applied science and technology." The technological factors include degree of mechanisation, technical know-how, product design, etc. Improvement in any of the technological factors will contribute towards the increase in industrial productivity. In India, application of mechanical power, introduction of semi-automatic and automatic machines, improvements in the production processes, better integration of production processes and higher degree of specialisation have contributed a lot towards the increases in industrial productivity.

(ii) **Quality of Human Resources:** Manpower plays a significant role in raising industrial productivity in most of the industries. If the labour force is not adequately qualified and/or is not properly motivated, all the steps taken to increase the industrial productivity will have no result. The employee's performance and attitudes have an immense effect on the productivity of any industrial unit. Three important factors which influence the productivity of labour are : (a) *ability of the worker, (b) willingness of the worker, and (c) the environment under which he has to work.*

(iii) **Availability of Finance:** The ambitious plans of an industrial unit to increase the productivity will remain mere dreams if adequate financial resources are not available to introduce technical improvements and give appropriate training to the workers. The greater the degree of mechanisation to be introduced, the greater is the need for capital. Capital will also be required for investment in research and development activities, advertisement campaign, better working conditions to the workers, upkeep of plant and machinery, etc.

(iv) **Managerial Talent.** The significance of managerial talent has increased with the advancement in technology. Professional managers are required to make better use of the new technological development. Since the modern enterprises are run on a large scale, the managers must possess imagination, judgement and willingness to take initiative. The managers should be devoted towards their profession and they should understand their social responsibilities towards the owners of the business, workers, customers, suppliers, Government, and the society. This is essential if the managers want to manage their organisations and technical skills in order to increase the productivity of the enterprise.

(v) **Government Policy.** The industrial policies of the Government have an important impact on the industrial productivity. The Government should frame and implement such policies which create favourable conditions for saving, investment, flow of capital from one industrial sector to another and conservation of national resources. Certain industries may be granted protection, and incentives may be given to the others for their development in view of the national interest. The Government should follow the taxation policy, which does not discourage the further expansion of business. It is also the duty of the Government to check the growth of monopolistic enterprises so that the interests of the consumers and the workers are not jeoparadised.

(vi) **Natural Factors.** The natural factors such as physical, geographical and climatic exercise considerable impact on the industrial productivity. The relative importance of these factors depends upon the nature of the industry, goods and services produced and the extent to which physical conditions are controlled. "The geological and physical factors play a very dominant role in determining the productivity of extractive industries like coal-mining in which the physical output per head is greatly influenced by the depth of the coal-mines, the thickness of the coal seams, the topography of the region and the quality of coal available. In other industries like tailoring, grain-milling, hosiery, soap-making, confectionery, medium and coarse cotton manufacturing, etc., the geographical, geological and physical factors exercise little influence on productivity."

Difficulties in Managing Labour Productivity

The difficulties in managing productivity of labour are due to the following factors:

(i) Lack of commitment of management to productivity enforcement,

(ii) Lack of systems to measure productivity,

(iii) Difficult industrial relations climate, and

(iv) Bad methods and bad management contributing to low productivity.

Productivity Improvement Factors

Productivity improvement is not just doing things better: more importantly, it is doing the right things better. This chapter aims to identify the major factors, or "right things", which should be the main concerns of productivity programme-managers. Before discussing what to tackle in a productive improvement programme, it is necessary to review the factors affecting productivity.

The production process is a complex, adaptive, on-going social system. The inter-relationships between labour, capital and the socio-organisational environment are important in the way they are balanced and co-ordinated into an integrated whole. Productivity improvement depends upon how successfully we identify and use the main factors of the socio-production system. It is important, in connection with this, to distinguish three main productivity factor groups:

- job-related;
- resource-related;
- environment-related.

Since our main concern here is the economic analysis of managerial factors rather than productivity factors as such, we suggest a classification which will help managers distinguish those factors which they can control. In this is way, the number of factors to be analysed and influenced decreases dramatically. The classification suggested here is based on a paper by Mukherjee and Singh. There are two major categories of productivity factor:

- External (not controllable).
- Internal (controllable).

The external factors are those which are beyond the control of the individual enterprise and the internal factors are those within its control.

To deal with all these factors we require different institutions, people, techniques and methods. For example, any performance improvement drive which plans to deal with external factors affecting the management of the enterprise must take such factors into consideration during the planning phase of the programme and try to influence them by joining forces with other interested parties.

Thus it can be clearly seen that the first step towards improving productivity is to identify problem areas within these factor groups. The next step is to distinguish those factors which are controllable.

Factors which are external and not controllable for one institution are often internal to another. Factors external to an enterprise, for example, could be internal to governments, national or regional institutions, associations and pressure groups. Governments can improve tax policy, develop better labour legislation, provide better access to natural resources, improve social infrastructure, price policy, and so on, but individual organisations cannot.

Factors external to an enterprise are of interest to that enterprise because an understanding of them can motivate certain actions which might change an enterprise's behaviour and its productivity in the long run. We suggest the following integrated scheme of factors constituting a major source of productivity improvement.

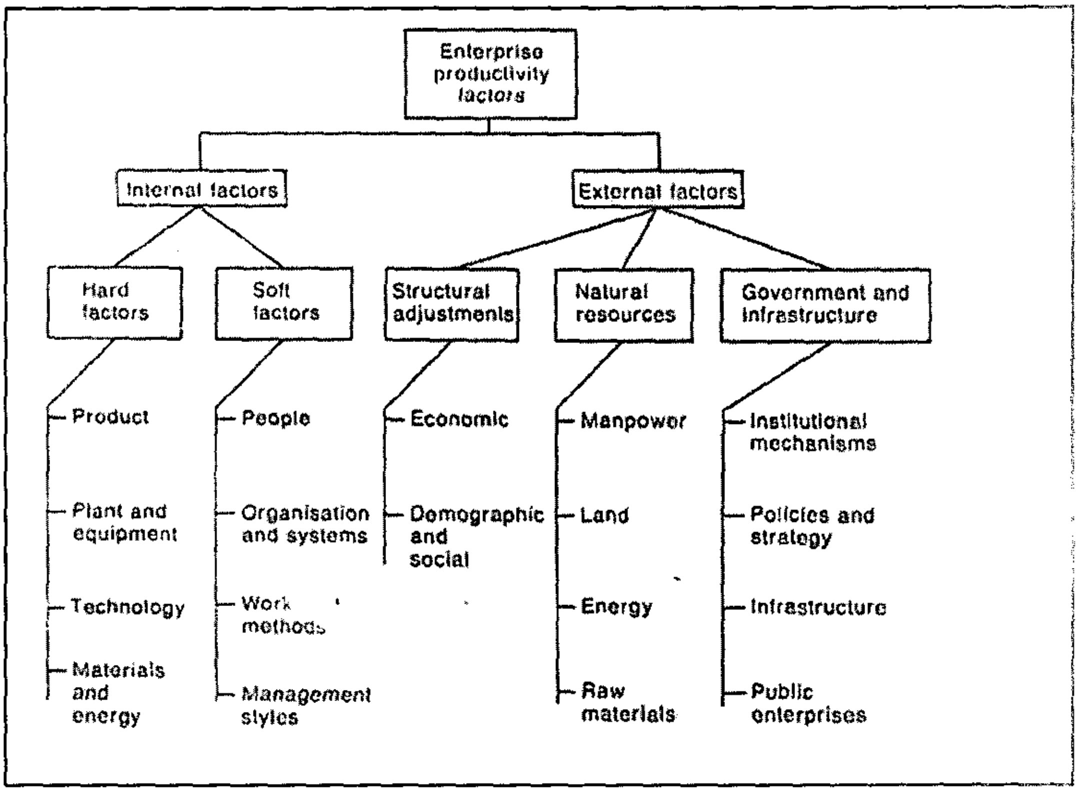

figure 14.2: An integrated model of enterprise productivity factors

Internal Factors of Enterprise Productivity

Since some internal factors are more easily changed than others, it is useful to classify them into two groups: hard (not easily changed) and soft (easily changed). The hard factors include products, technology, equipment and raw materials, while the soft factors include the labour force, organisational systems and procedures, management styles and work methods. This classification helps us build priorities — which factors can easily be dealt with and which factors require stronger financial and organisational interventions. A brief description of some key aspects of each internal factor follows.

Hard Factors

Product

Product factor productivity means the extent to which the product meets output requirements. "Use value" is the amount that the customer is prepared to pay for a product of given quality. "Use value" can be improved by hotter design and specifications. Many companies around the world fight a constant battle to incorporate technical excellence into marketable products. Breaking down the walls between research, marketing and sales has become a major productivity factor. For example, leading Japanese companies continually redesign products which are on the market.

Product "place value", "time value" and "price value" refer to the availability of the product at the right place, at the right time and at a reasonable price. The "volume factor" in particular gives us a better notion of the economics of scale through increased volume of production. Finally, the cost-benefit factor can be enhanced by increasing the benefit for the same cost or by reducing the cost for the same benefit.

Plant and Equipment

These play a central role in a productivity improvement programme through:

- good maintenance;
- operating the plant and equipment in optimum process conditions;
- increasing plant capacity by eliminating bottle-necks and by corrective measures;
- reducing idle time and making more effective use of available machines and plant capacities.

Plant and equipment productivity can be improved by attention to utilisation, age, modernisation, cost, investment, internally produced equipment, capacity maintenance and expansion, inventory control, production planning and control, and so on.

Technology

Technological innovation constitutes an important source of higher productivity. Increased volume of goods and services, quality improvement, new marketing methods, etc., can be achieved through increased automation and information technology. Automation can also improve materials handling, storage, communication systems and quality control.

During the past 25 years, considerable productivity increases have been realised through the use of automation and current developments in information technology suggest great improvements to come. Significant examples of the application of this technology are the development of automatic downtime recording systems and automatic lubrication systems which have reduced the idle time of men and machines, and reduced overtime expenditure. New technology is normally introduced as a result of such productivity improvement programmes as fighting obsolescence, process design, R & D and the training of scientists and engineers.

Materials and Energy

Even small efforts to reduce materials and energy consumption can bring remarkable results. These vital sources of productivity include raw materials and indirect materials (process chemicals, lubricants, fuels, spare parts, engineering materials, packing materials). Important aspects of materials productivity include:

- material yield: output of useful product or energy per unit of material used. This is dependent upon selection of the right material, its quality, process control and control of rejects;
- use and control of wastage and scraping;
- upgrading of materials by initial processing to improve utilisation in the main process;
- use of lower grade and cheaper materials;

— import substitution;

— improving inventory turnover ratio to release funds tied up in inventories for more productive uses;

— improved inventory management to avoid holding excessive stock;

— developing sources of supply.

Soft Factors

People

As the principal resource and the central factor in productivity improvement drive, the people in an organisation all have a role to play — as workers, engineers, managers, entrepreneurs and trade union members. Each role has two aspects: application and effectiveness.

Application is the degree to which people apply themselves to their work. People differ not only in their ability but also in their will to work. This is explained by a law of behaviour: motivation decreases if it is either satisfied or blocked from satisfaction. For example, workers may do their jobs without working hard (no motivation), but even if they did work to their full capacity they would not be satisfied (motivation is blocked from satisfaction).

In order to stimulate and maintain motivation, the following few factors should be considered:

A set of values conducive to higher productivity should be developed in order to bring about changes in the *attitude* of managers, engineers and workers.

Motivation is basic to all human behaviour and thus to efforts in productivity improvement. Material needs are still predominant, but this does not mean that non-financial incentives are not effective or have no place. Workers' success in increasing productivity should be reinforced immediately by rewards, not only in the form of money, but also by improving recognition, involvement and learning opportunities, and, finally, by the complete elimination of negative rewards. If management can plan and execute effective incentive schemes, then the result is invariably a significant improvement in productivity. Wage incentives must always be related to the amount of change accomplished.

It is also possible to improve productivity by eliciting co-operation and participation from workers. Labour participation in goal-setting, for example, has been quite successful in many countries. Human relations can be further improved by reducing the complexity of communications procedures and by minimising conflicts. Labour productivity can be tapped only if management encourages workers to apply their creative talents by taking a special interest in their problems and by promoting a favourable social climate.

Standard of performance plays an important role in productivity. It should be set at a high but realisable level. Management expectations of high performance need to be considerably raised in many cases. However, standards should always be achievable to maintain confidence and the "will to do".

The "will to do" is affected by job satisfaction which managers can enhance by making jobs interesting, challenging and bigger, more worth while and self-contained. Job enrichment and job enlargement can influence job satisfaction and motivate higher productivity.

The second factor in the role played by the people involved in a productivity drive is effectiveness. Effectiveness is the extent to which the application of human effort brings the desired results in output and quality. It is a function of method, technique, personal skill, knowledge, attitude and aptitude — the "ability to do". The ability to do a productive job can be improved through training and development, job rotation and placements, systematic job progression (promotion), and career planning.

To summarise, the following key approaches, methods and techniques can be used to improve labour productivity: wages and salaries; training and education; social security — pensions and health plans; rewards; incentive plans; participation or co-determination; contract negotiations; attitudes to work, to supervision and to change; motivation to higher productivity; co-operation; organisation development; improved communications; suggestion systems; career planning; attendance; turnover; job security.

Organisation and Systems

The well-known principles of good organisation such as unity of command, delegation and span of control, are intended to provide for specialisation and division of work and co-ordination within the enterprise. An organisation needs to be dynamically operated and led towards objectives and must be maintained, serviced and reorganised from time to time to meet new objectives.

One reason for the low productivity of many organisations is their rigidity. They fail to anticipate and respond to market changes, ignore new capacities in the labour force, new developments in technology and other external (environmental) factors. Rigid organisations lack good horizontal communication. This slows down decision-making and inhibits delegation of authority close to the point of action, encouraging inefficiency and bureaucracy

Compartmentation according to professional groups or functions also inhibits change. For example, the decision-making steps may have been designed for a particular existing technology, for a definite product or service mix. Things have now changed, but procedures have survived because managers want to minimise change.

No system, however, well designed, is efficient in all situations. Dynamism and flexibility should be incorporated into the system design in order to maximise productivity.

Work Methods

Improved work methods, especially in developing economies where capital is scarce, technology intermediate and labour-intensive methods dominant, constitute the most promising area for productivity improvement. Work method techniques aim to make manual work more productive by improving the ways in which the work is done, the human movements performed, the tools used, the workplace laid out, the materials handled and the machines employed. Work methods are improved by systematically analysing present methods, eliminating unnecessary work and performing the necessary work more effectively with less effort, time and cost. Work study, industrial engineering and training are the main tools of improving work methods.

Management Styles

There is a view that in some countries management is responsible for 75 per cent of productivity gains, because management is responsible for the effective use of all resources under enterprise control. One productivity expert

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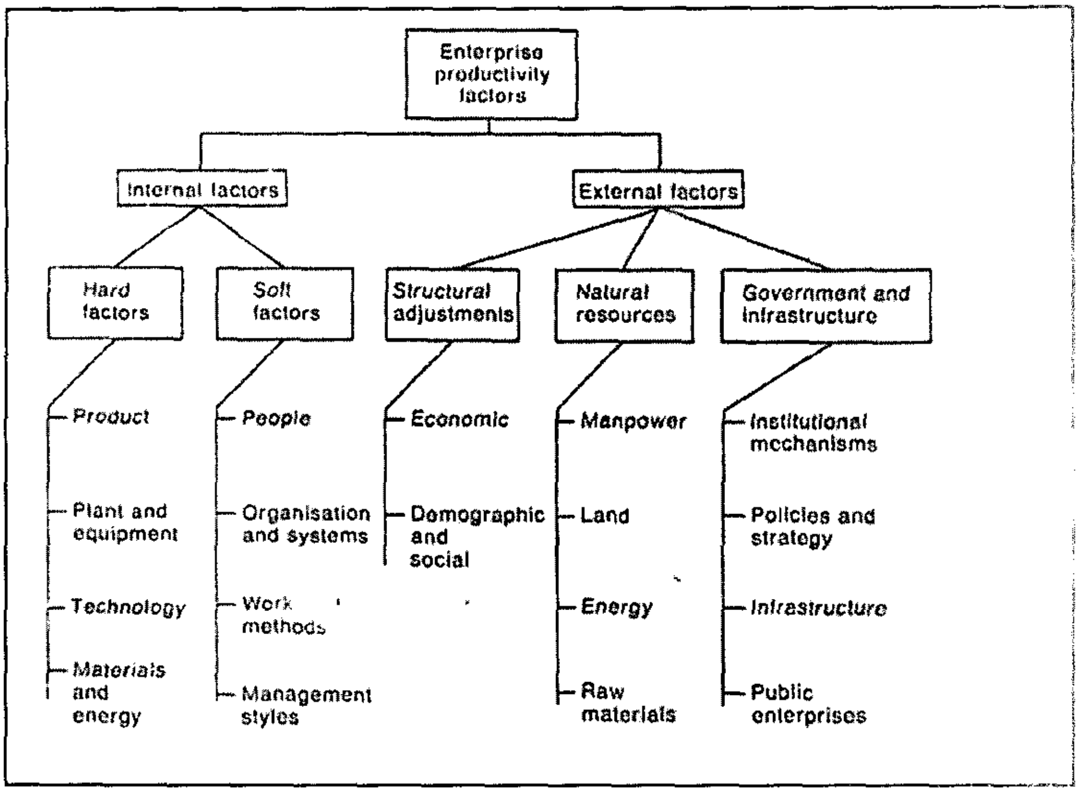

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Application is the degree to which people apply themselves to their work. People differ not only in their ability but also in their will to work. This is explained by a law of behaviour: motivation decreases if it is either satisfied or blocked from satisfaction. For example, workers may do their jobs without working hard (no motivation), but even if they did work to their full capacity they would not be satisfied (motivation is blocked from satisfaction).

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A set of values conducive to higher productivity should be developed in order to bring about changes in the *attitude* of managers, engineers and workers.

Motivation is basic to all human behaviour and thus to efforts in productivity improvement. Material needs are still predominant, but this does not mean that non-financial incentives are not effective or have no place. Workers' success in increasing productivity should be reinforced immediately by rewards, not only in the form of money, but also by improving recognition, involvement and learning opportunities, and, finally, by the complete elimination of negative rewards. If management can plan and execute effective incentive schemes, then the result is invariably a significant improvement in productivity. Wage incentives must always be related to the amount of change accomplished.

It is also possible to improve productivity by eliciting co-operation and participation from workers. Labour participation in goal-setting, for example, has been quite successful in many countries. Human relations can be further improved by reducing the complexity of communications procedures and by minimising conflicts. Labour productivity can be tapped only if management encourages workers to apply their creative talents by taking a special interest in their problems and by promoting a favourable social climate.

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The second factor in the role played by the people involved in a productivity drive is effectiveness. Effectiveness is the extent to which the application of human effort brings the desired results in output and quality. It is a function of method, technique, personal skill, knowledge, attitude and aptitude — the "ability to do". The ability to do a productive job can be improved through training and development, job rotation and placements, systematic job progression (promotion), and career planning.

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Compartmentation according to professional groups or functions also inhibits change. For example, the decision-making steps may have been designed for a particular existing technology, for a definite product or service mix. Things have now changed, but procedures have survived because managers want to minimise change.

No system, however, well designed, is efficient in all situations. Dynamism and flexibility should be incorporated into the system design in order to maximise productivity.

Work Methods

Improved work methods, especially in developing economies where capital is scarce, technology intermediate and labour-intensive methods dominant, constitute the most promising area for productivity improvement. Work method techniques aim to make manual work more productive by improving the ways in which the work is done, the human movements performed, the tools used, the workplace laid out, the materials handled and the machines employed. Work methods are improved by systematically analysing present methods, eliminating unnecessary work and performing the necessary work more effectively with less effort, time and cost. Work study, industrial engineering and training are the main tools of improving work methods.

Management Styles

There is a view that in some countries management is responsible for 75 per cent of productivity gains, because management is responsible for the effective use of all resources under enterprise control. One productivity expert and consultant to many leading Japanese companies believes that as much as 85 per cent of the quality and productivity problems in United States industry are common problems of the system that lie within the province of management, not the individual worker, to correct. There is no perfect management style. Effectiveness depends upon when, where, how and to whom a manager applies a style. Management styles and practices influence organisational design, personnel policies, job design, operational planning and control, maintenance and purchasing policies, capital cost (working and fixed capital), sources of capital, budgeting systems and cost control techniques. Figure 14.3: Summarises the main productivity factors internal to an enterprise.

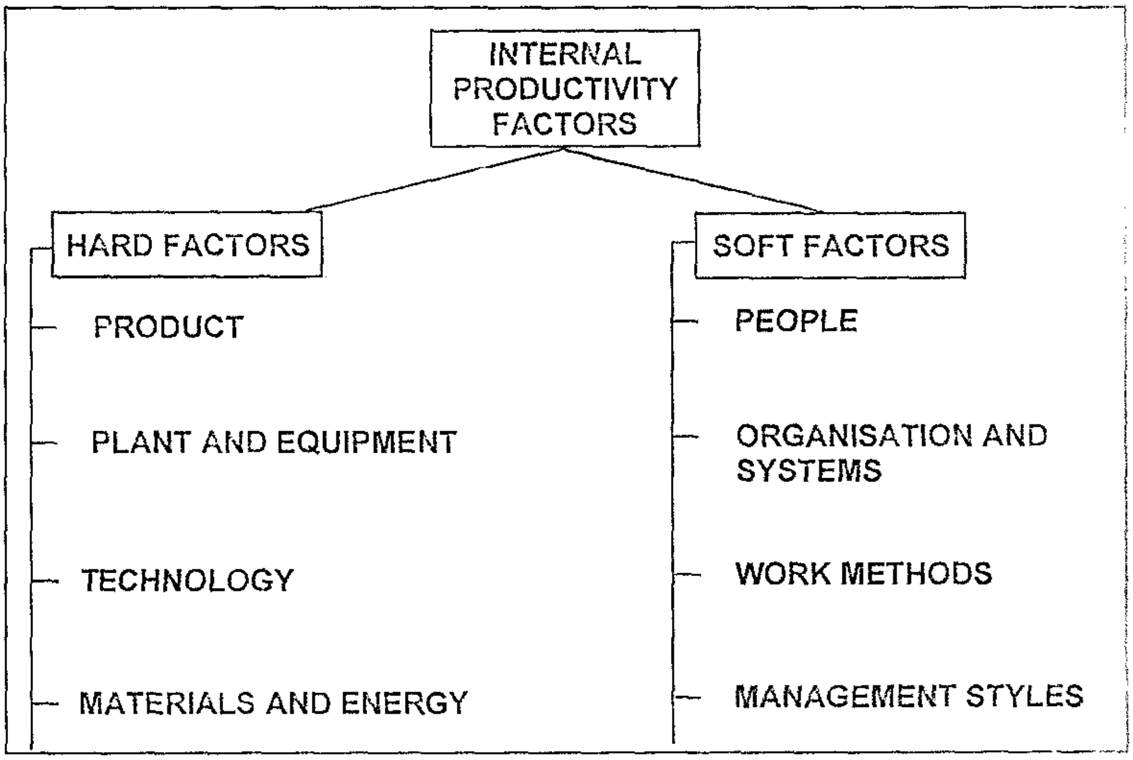

Figure 14.3 Model of internal productivity factors

This model serves as a checklist for identifying the most promising productivity areas for management analysis planning and intervention.

External Factors Affecting Enterprise Productivity

External factors include government policies and institutional mechanisms; political, social and economic conditions, the business climate; the availability of finance, power, water, transport, communications and raw materials. They affect individual enterprise productivity, but the organisations concerned cannot actively control them.

These factors should be understood and taken into consideration by management when planning and implementing productivity programmes. What is outside the control of individual enterprises in the short term might be controllable at higher levels of society's structures and institutions. Bearing in mind all the social, political, economic and organisational links between consumers, workers, managers, government, and different pressure groups, and between institutions and organisational infrastructure, it is useful to discuss here the main macro-productivity factors which speed or hinder productivity improvement processes. Because productivity largely determines real income, inflation, competitiveness and people's well-being, policy-makers try hard to discover the real reasons for productivity growth and decline.

A general classification of the three main groups of macro-productivity factors is shown in figure 14.4

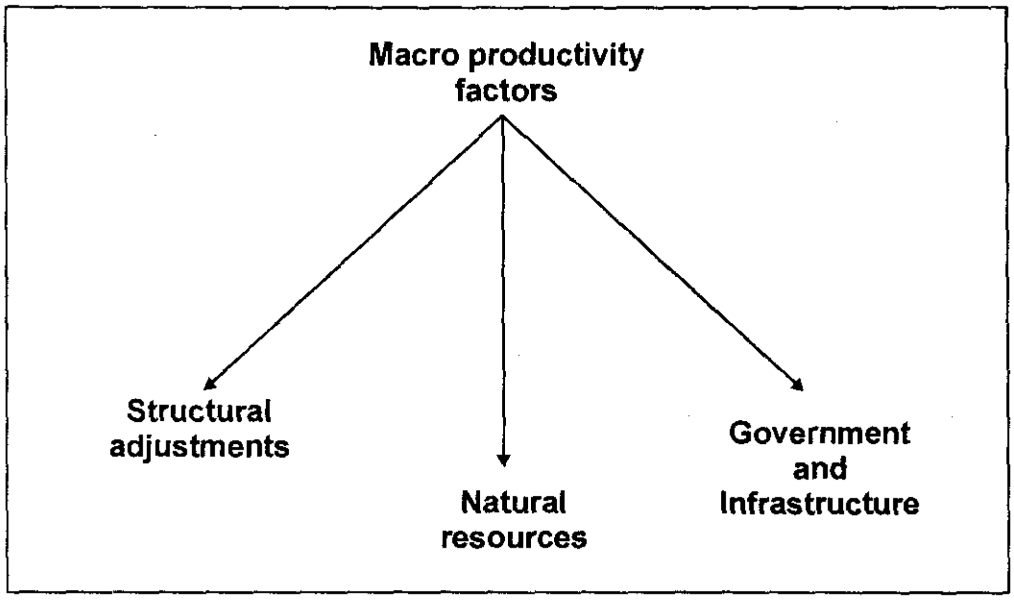

Figure 14.4: Main macro-productivity factors

Structural Adjustments

Structural changes in society often influence national and enterprise productivity independently of enterprise management. However, in the long term this interaction is two-way. Just as structural changes affect productivity, productivity changes also modify structure. Such changes are not only the result, but also a cause, of economic and social development.

Understanding these changes helps improve government policy, makes enterprise planning more realistic and purpose-oriented and helps develop the economic and social infrastructure. The most important structural changes are economic, and social and demographic

Economic Changes

The most important economic changes are in employment patterns and the composition of capital, technology, scale and competitiveness.

Employment shifts from agriculture to manufacturing industry have caused an economy-wide increase in productivity that has surpassed productivity growth within any one sector in developed countries. The number of people employed in agriculture, forestry and fisheries in these countries has now become so small that this historical source of productivity growth has very limited potential as a source of future growth. However, in many developing countries, these shifts will continue to be a source of high growth of productivity in future, since more people will move from the low-productivity agricultural sector into manufacturing.

A second historical structural change is *the move from manufacturing into service industries.* These include wholesale and retail trade, finance, insurance, real estate, personal and business services, and a number of others. Even in Japan, with its heavy emphasis on manufacturing, employment and consumer spending have shifted to the service sector, which now accounts for more than one-half of each. In the United States nearly three-quarters of all non-farm employees work in services. The effect on productivity of this second major wave of structural change is controversial, since productivity in the service sector has tended to climb more slowly than productivity in general. However, it has held down the price of labour relative to the rapidly escalating price of capital and raw materials. As a result, in many countries wages declined absolutely during the late 1970s. This stimulated the shift of capital and energy away from equipment into investment in the labour force. Thus, the productivity of other production factors was enhanced at the expense of labour productivity.

Variations in the composition of capital, its relative intensity, age and kind also affect productivity. The growth of capital depends on saving and investment. The age of the capital stock also influences the diffusion of innovations to the extent that technological change is embodied in new investment goods. However, above average capital input per worker does not necessarily increase output per worker. Much of the capital investment that did take place in the 1970s, for example. did little to raise labour productivity. In Canada, Japan and the United States capital intensity differs significantly from relative productivity performance. Some manufacturing industries achieve high productivity with relatively low capital intensity, barely exceeding that of commerce.

A wide discrepancy between productivity and capital intensity often indicates large unused capacities in the economy, over the conventionally measured capacity, which could be tapped by better management.

The structural impact of R & D and technology is another important factor in productivity improvement at the macro-level. The management of R & D and technology and the implementation of new methods, techniques. products and processes can significantly influence productivity and at the same time change structure: examples are the introduction of assembly lines, computers and microprocessors, and modern communications equipment. Foreign investment is often an important factor in the introduction of new technology.

However, indiscriminate imports of technology can injure countries. There is a growing awareness of the need for indigenous technological competence and research within the countries and industries concerned.

Economy of scale or scale of production is also closely related to productivity and the industrial structure. Small and medium-sized enterprises can be fully competitive if they specialise and have long production runs. Some developing countries such as India, Indonesia, the Philippines and Thailand have deliberately promoted decentralised cottage, rural and other small-scale industries in order to reduce unemployment and poverty, to curb urban migration and to help traditional artisans. Japan encourages small-scale industry to introduce and adapt important technology and improve economic viability. In this sector, capital productivity can be high and innovative. Even reverse engineering and technology-transfer from the small to the large-scale sector can be effective.

Industrial competitiveness affects the productivity of both the economy and individual enterprises. The European Management Forum defines industrial competitiveness as "the immediate and future ability of, and opportunities for, entrepreneurs to design, produce and market goods within their respective environments whose price and non-price qualities form a more attractive package than those of competitors abroad or in domestic markets"

Ten major factors affect competitiveness:

- The dynamism of the economy measured by criteria such as growth rates, monetary strength, industrial production and per capita performance.
- Industrial efficacy, which involves direct and indirect employee costs, per capita output, employee motivation, turnover and absenteeism.
- The dynamics of the market, when efforts to improve competitiveness are increased and better directed to more intensive market forces.
- Financial dynamism, that is the strength and importance of the commercial banking sector, stock and bond markets and their ability to provide capital.
- Human resources, that is the dynamism of the population and the labour force, employment, unemployment, executive quality and motivation.
- The role of the State in fiscal policies and other regulations.
- Resources and infrastructure (transport and communications facilities), domestic energy and raw materials sources.
- Outward orientation, the will to promote trade actively, buying and selling goods, service-related investments or any other form of international exchange.
- Innovative forward orientation which emphasises national research and development efforts, corporate and government attitudes to exploiting new ideas, products and production processes.
- Socio-political consensus and stability, the degree to which strategies and policies reflect a society's aspirations.

Demographic and Social Changes

Structural changes in the labour force are both *demographic and social.* The high birth rates and low mortality rates of the post-war period sent world population soaring from 2.5 thousand million in 1950 to 4.4 thousand million in 1980. By the mid-1960s, the post-war baby boom was beginning to reach the job market. At the same time, the number of women entering the labour force was steadily rising. In addition to this, workers in the industrialised countries have increasingly had to compete not only with each other but also with labour from the developing countries. Productivity and wages in the developing countries tend to be lower and the total cost of production is competitive. Two different and somewhat contradictory pressures influence productivity. On the one hand, producers in more developed countries must try to increase productivity in order to hold down production costs; on the other hand, the restraining influence of competition on wages encourages producers to use more labour, rather than investing heavily in capital equipment. This tends to reduce the growth of productivity. These demographic changes have an impact on jobseekers, on worker experience and useful work skills, and on the demand for goods and services. Geographic shifts of the population will probably also affect productivity as population density varies from region to region.

Among the *social factors,* special attention should be paid to the increasing percentage of women in the labour force. Women's participation in the labour force is still well below that of men but it is increasing. A change in the ratio of working men to women affects earnings. Men currently have a higher average income than women. Much of this difference has been attributed to education, full or part-time work and length of work experience. As these facts change, so, most likely, will productivity and the income structure. The retirement age may drift upward, as health and longevity improve. Economic pressures may also persuade many older people to stay in the labour force.

All aspects of education affect productivity/) Over the past few decades, educational spending has grown significantly. By the end of the 1970s educational expenses in Canada, for example, represented 8 percent of GNP, and government spending on education accounted for 22 per cent of total government expenditure.

Cultural values and attitudes can promote or hinder productivity. For example, the Chinese are known for their belief in hard work, their entrepreneurial spirit and their propensity to save. The Japanese are famous for their ability to seek, accept, assimilate and adapt to changing needs and circumstances, for their team spirit and discipline. In some countries, greater respect is traditionally given to brain power than to manual work; in others, the elderly are valued, not merely tolerated.

It is important to study and understand these beliefs, attitudes and traditions, all of which change with new technology and economic development. The countries that have become development-oriented are under increasing pressure to upgrade their development policy and institutionalise social change through education and the media.

Natural Resources

The most important natural resources are manpower, land, energy and raw materials. A nation's ability to generate, mobilise and use these resources is crucially, important to productivity improvement and is, unfortunately, often overlooked.

Manpower

People are the most precious natural resource. Several developed countries such as Japan and Switzerland, which lack land, energy and mineral resources, have found that their single most important source of growth is people, their skills, education and training, attitude and motivation, and development. Investment in these factors improves the quality of management and of the labour force. Such countries take great care to invest in educating and training their manpower. Countries with higher per capita GNP generally have a better trained and educated population. Attention to health and leisure has resulted in a tremendous saving due to less illness, longer life expectancy and increased vitality. The general quality of labour has improved with improving health

Land

Land requires proper management, development and a national policy. For example, industrial expansion and intensive farming have become aggressive consumers of the most fundamental material input, land. Pressure to increase farm productivity per worker and per hectare can accelerate soil erosion. Such land loss can often be masked by using more fertiliser, but at increasingly high cost and at risk of environmental pollution. The rising cost of energy-intensive agricultural input, the limited availability of new land, and the urgent need for more careful husbandry to prevent serious erosion all argue for more prudent use of available land.

Energy

Energy is the next important resource. The drastic change in energy prices during the 1970s was the single most important cause of declining productivity and economic growth. Much of the capital investment that took place during that decade did little to raise labour productivity since it was directed towards retooling the economies to adjust to higher energy prices.

As the price of a barrel of oil rose from US$3 in 1973 to about US$36 in 1980, before dropping back in 1985, a considerable amount of capital stock became obsolete and urgently needed to be replaced or used less intensively. As producers cut back on energy use and capital investment, their only recourse was to use more labour. Thus, demand for labour tends to follow energy prices upwards. However, though more hours are worked, total output may not rise commensurately.

Thus, the supply of energy influences capital/labour combinations and increases or decreases productivity. This fact should be learned, understood and taken into consideration by industrial and enterprise management.

Raw Materials

Raw materials are also an important productivity factor. Raw materials prices are subject to the same kind of fluctuations as oil prices, though in less extreme forms. As the richest and most accessible sources of minerals are mined out, the need to exploit lower grades of ore in more difficult locations has called for more intensive use of capital and labour. This reduces productivity growth in mines despite increasing automation in many countries. The exploitation of increasingly marginal mines decreases productivity further.

As the cost of materials rises, the economic rationale for repair, re-use and recycling becomes more compelling since, though productivity in the strictly conventional sense is lower for such work, it is much less expensive for society as a whole than buying new materials.

Government and Infrastructure

Government policies, strategies and programmes greatly affect productivity through:

— practices of government agencies;

— regulations (such as price control, income and wage policies);

— transport and communications;

— power;

— fiscal measures and incentives (interest rates, tariffs, taxes).

Many structural changes that affect productivity result from laws, regulations or institutional practices. In addition, the whole area of government productivity itself is extremely important because it enables governments to render more services with the same resources or to provide the same services at lower cost.

In this chapter we have considered the major internal and external productivity factors or areas for improvement and we would like to stress again that the internal factors are those under the full control of enterprise management. However, to design good policies, plans or programmes for productivity improvement, all the external factors should be analysed, understood and considered. The best way to do this is to introduce sound productivity measurement systems at all levels of society. This will be discussed in the next chapter.

Productivity Movement in India

The productivity movement in India began with arrival of I.L.O. Productivity Missions in 1952 and 1954. The expert teams of the I.L.O. examined the working of some textile mills of Bombay and Ahmedabad and some engineering units of Calcutta.

They were of the opinion that "given adequate supervision, members of the existing staff in Indian plants can secure important improvements even after a comparatively short and incomplete training in productivity improvement techniques." Among other things, the productivity missions emphasised the need to set up a National Productivity Centre in the country to coordinate future activities in the Five Year Plans. The Government of India accepted these recommendations and established National Productivity Centre under the Ministry of Labour and Employment.

The establishment of National Productivity Centre was indication of the significance being given to the industrial productivity. The central Government sent in 1956 a productivity delegation to Japan under the leadership of Dr. Vikran A. Sarabhai. It recommended the establishment of National Productivity Council with representatives on it, of employers, labour, technical experts, research workers, technical consultants and the Government. The Delegation also recommended the establishment of local productivity councils on the model of the N.P.C.

In order to give encouragement to workers for meritorious performance and higher productivity, the Central Government has started the following awards for the workers:

(i) Vishwakarma Awards

(ii) Prime Minister's Shram Awards :

(a) Shram Ratna (b) Shram Bhusan (c) Shram Vir and Shram Devi.

National Productivity Council

National Productivity Council was established in the year 1958 with the object of creating productivity consciousness in the country providing specialised services to industries to increase their operational and managerial efficiency and to disseminate productivity information. It is a non-profit making autonomous body registered under the Societies Registration Act, 1860. The constitution of the NPC provides that its membership should be limited to 60 and the number of representatives should be 11 each from employer, employees, and Government. The remaining members have to be co-opted from amongst other interests like researchers, technicians, consumers and local productivity councils.

The NPC was entrusted with the task of facilitating the formation of local productivity councils. At present, there is a nationwide network of local productivity councils. The NPC has its Headquarters in New Delhi and it has also 9 Regional Directors at Ahmedabad, Bangalore, Bombay, Calcutta, Chandigarh, Guwahati, Kanpur, Madras, and New Delhi.

The objectives of NPC are as follows:

1. To create and develop productivity consciousness in the country.

2. To make arrangements for the training of managers at every level of management.
3. To make arrangements for the services of experts on the requisitions of local productivity councils.
4. To undertake research with regard to various production processes.
5. To send delegations to developed countries to collect and study information with regard to increased productivity.
6. To make arrangements for training of personnel with regard to productivity methods and techniques in other countries.
7. To invite experts on productivity from foreign countries and to make use of their expert knowledge and services.
8. To impart various productivity services with a view to having maximum utilisation of available resources, viz, human resources, money, materials and machines.
9. To ensure higher and better living standards to the people of the country.
10. To conduct various seminars on different subjects to increase productivity.
11. To create positive productivity atmosphere in the country by developing harmonious employer-employee relations.

To achieve the above mentioned objectives, the NPC collects and spreads information about the concepts and techniques of productivity through various publications including periodical and audio visual media and exhibitions. It organises and conducts seminars and training programmes for various levels of management in the various aspects of productivity. With a view to demonstrating the validity and value of productivity techniques, NPC offers a *Productivity Survey and Implementation Service* (PSIS), for which the demand has been steadily and steeply rising. This service is intended to assist industry adopt techniques of better management and operational efficiency, consistent with the economic and social aspirations of the nations.

Since the inception of NPC, it has provided management and productivity training to lakhs of industrial personnel of all categories – senior, junior, middle levels of management, technicians, supervisors, workers, and trade union leaders through a large number of training programmes conducted by it. It has successfully completed a large number of consultancy assignments and assisted industrial units in identifying and analysing their managerial, technological and energy problems and helping implement measures for improvement.

Besides offering training and consultancy services for improvi g productivity, the NPC also makes efforts to the extent possible for creating a favourable productivity clim e in the country by promoting sound industrial relations. One factor which largely determines the trend of th .e relations is sharing of the gains resulting from increased productivity. Taking advantage of its tripartite character, NPC has been making earnest efforts to evolve acceptable guidelines for sharing these gains. In short, NPC aims at making productivity a way of life in all spheres of the nation's economic activities.

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