



Government Arts and Science College

Palkulam, kanyakumari-629401

(Affiliated to Manonmaniam Sundaranar University, Tirunelveli.)

*STUDY MATERIAL FOR
BBA*

HUMAN RESOURCE MANAGEMENT

IV - SEMESTER



ACADEMIC YEAR 2022 - 2023

PREPARED BY

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Human Resource Management

Unit-1

MEANING OF HUMAN RESOURCE MANAGEMENT

Human Resource Management is a management function concerned with hiring, motivating and maintaining people in an organization. It focuses on people in organization.

DEFINITION OF HUMAN RESOURCE MANAGEMENT

HRM can be defined as a process of procuring, developing and maintaining competent resources in the organization so that goals of an organization are achieved in an effective and efficient manner. In other words HRM is an art of managing people at work in such a manner that they give best to the organization.

NATURE OF HUMAN RESOURCE MANAGEMENT

The following are the features of HRM.

1. HR management as a social system

HRM is a social system consisting of many subsystems which are integrated to constitute an entity.

2. HR management as open system

HRM like any other social system is an open system. It interacts with environment and

Hence it is not free to decide the things on its own.

3. Adaptive

Organization is a open system. Its survival and growth in a dynamic environment demands an adaptive system which can continuously adjust to changing environment.

4. Dynamic



HRM as a system is dynamic. It suggests that management attempts at achieving equilibrium in the organization.

5. Probabilistic

HRM is probabilistic and not deterministic. In the case of probabilistic model, the outcome can be assigned only with probability and not certainly.

Enterprise level

- *Attract and retain talent*
- *Train people for challenging roles*
- *Develop loyalty and commitment*

Individual level

- *Promote team work and team spirit*
- *Offer excellent growth opportunities to people*
- *Allows people to work with diligence and commitment*

Society level

- *Generate employment opportunities*
- *Scarce talents are put to best use*

National level

- *Enhance standard of living*
- *Increase productivity and profits*
- *Improve job satisfaction*

SCOPE OF HUMAN RESOURCE MANAGEMENT

The scope of HRM has changed over the last few years. The scope of HRM is very wide and manifold. It could be captured under four headings

1. Acquisition

- *H.R. planning*
- *Recruitment*



- *Selection*
- *Placement*
- 2. *Development*
 - *Training*
 - *Career Development and*
 - *Internal Mobility*
- 3. *Control*
 - *H.R. Audit*
 - *H.R. Accounting*
 - *H.R. Information system*
- 4. *Maintenance*
 - *Remuneration*
 - *Motivation*
 - *Health and safety*
 - *Social security*
 - *Industrial Relations*
 - *Performance Appraisal*

OBJECTIVE OF HUMAN RESOURCE MANAGEMENT

The principal objectives of HRM are

1. *To help the organization reach its goals*
2. *To employ the skills and abilities of the workforce efficiently*
3. *To provide the organization with well-trained and well motivated employees*
4. *To increase to the fullest the employee's job satisfaction and self-actualization*
5. *To develop and maintain a quality of work life*
6. *To communicate HR policies to all employee*

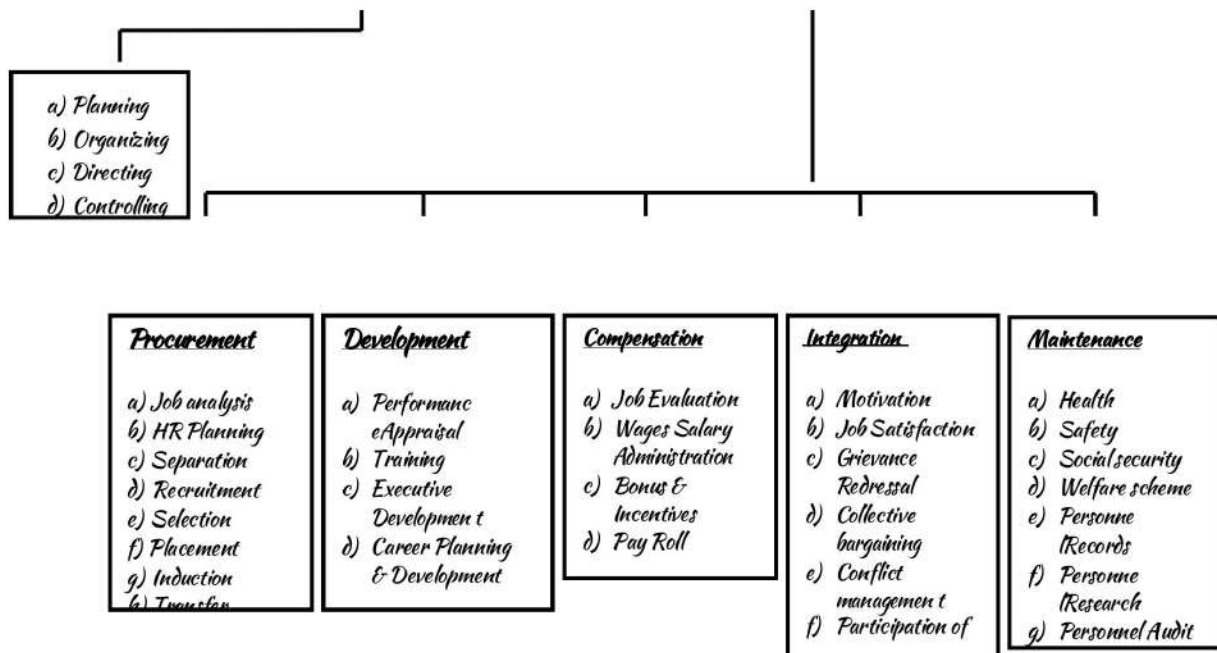


7. *To be ethically and socially responsive to the needs of society*
8. *To establish and maintain sound organization structure*

FUNCTIONS OF HUMAN RESOURCE MANAGEMENT

The functions performed by managers are common to all organization. Generally the functions performed by Human Resource Management may be classified into two categories. They are

1. *Managerial Function*
2. *Operative Function*



1. Managerial Function

• Planning

This involves predetermined course of action. In this process organizational goals and formulation of policies and programmes for achieving them are chalked out. A well thought out plan makes execution perfect and easy



- **Organizing**

This is a process by which the structure and allocation of jobs are determined. Organizing involves each subordinate a specific task, establishing departments, delegating authority to subordinates, establishing channels of authority and communication, and coordinating the work of subordinates.

- **Staffing**

This is a process by which managers select, train, promote and retire the subordinates. This involves in deciding the type of people to be hired, recruiting prospective employees, selecting employees, setting performance standard, compensating employees, evaluating performance, counseling employees, training and developing employees.

- **Directing**

Directing is the process of activating group efforts to achieve the desired

- **Controlling**

This is the process of setting standards for performance, checking to compare see how actual performance compares with these set standards and taking needed corrective action.

2. **The operating functions**

The operative functions are related to specific activities of HRM like Procuring, Developing, Compensating, Integrating and maintaining the employees for attaining the organizational goals. These functions are also known as service functions.

1. **Procurement** – *This function is concerned with procuring and employing people who possess necessary skill, knowledge and aptitude. It includes following-*

- **Job analysis:**

It is the process of collecting information relating to the operations and responsibilities pertaining to a specific job.



- **Human resource planning:**

Involves forecasting the requirements and future supply of human resources. It assures an organization of suitable and adequate manpower performs various jobs in accordance with the organizational goals.

- **Recruitment:**

It is the process of searching for prospective employees and stimulating them to apply for job in the organization.

- **Selection:**

It is a process of choosing capable applicants according to the predetermined number out of a large number of applicants through different tests.

- **Placement:**

It means sending the newly employed person to some department for work. It is based on the qualification and qualities of the person selected.

- **Induction**

Induction is the welcoming process to make the new employees feel at home and generate in him a feeling of belonging to the organization.

- **Internal mobility** – The movement of employees from one job to another through transfer and promotion is called internal mobility.

2. **Development** – It is the process of training and developing employees to improve and update their knowledge, skills, aptitude and attitude. It helps them to perform their job better. This function includes –

- **Training:**

It is a continuous process, by which employees learn skills, knowledge, abilities and attitudes to organizational and personnel goals.

- **Executive Development:**

It is a systematic process of developing managerial skills and capabilities through appropriate program.

- **Career planning and development:**

It refers to identifying one's career goals and formulating plans of reaching them through means of education, training and work experiences.

- **Human resource development:**



It create a climate that enable every employee to develop and use his capabilities.

3. **Motivation and Compensation** – *It is a process which stimulates people to give their best to the organization through the use of intrinsic and extrinsic rewards.*

• **Job Design:**

The main purpose of job design is to integrate the needs of employers to suit the requirements of an organization.

• **Work Scheduling:**

It is an attempt to structure work incorporating the physical and behavioral aspects of work.

• **Motivation:**

It is the complex of forces inspiring and keeping a person at work in an organization.

• **Job Evaluation:**

It is a systematic process of determining the relative worth of jobs in order to establish which jobs should be paid more than others within the organization.

• **Performance Appraisal:**

It is a systematic and objective way of evaluating work related behaviour and potential of employees.

• **Compensation Administration:**

The main purpose to design a low-cost pay plan that will attract, motivate and retain competent employees.

• **Incentives and Benefits:**

In addition to basic wage structure, organization offer incentive compensation based on actual performance. It includes Social security, insurance, welfare amenities etc.

4. **Maintenance** – *It has aims to protecting and preserving the physical and psychological health of employees through various welfare measures.*



- **Health and safety:**

All employees are ensuring a work environment that protects from physical hazards and unhealthy condition.

- **Employee welfare:**

It includes the services, amenities and facilities offered to employees within or outside the establishment for their well being.

- **Social security measures:**

To provide social security to employees in addition to fringe benefits. It includes maternity benefits, dependent benefits, retirement benefits, medical benefits, disablement benefits etc.

5. **Integration Function** – It helps to integrate the goals of an organization with employee

As privations through various employee-oriented programs.

- **Grievance redressed:**

Every organization requires a permanent procedure for handling employee grievances.

- **Discipline:**

It means working in accordance with certain recognized rules, regulations and customs whether they are written or implicit in character.

- **Teams and teamwork:**

Self managed teams have emerged as formal groups in organization. Teams have inherent strengths which lead to organizational goals.

- **Collective bargaining:**

It is a process of agreeing on a satisfactory labour contract between management and union.

- **Employee participation and empowerment:**

Participation means sharing the decision making power with the lower ranks of an organization in an appropriate manner.

- **Trade unions and employees association:**

It is a continuous association of workers for the purpose of maintaining or



improving the conditions of their working lives.

- ***Industrial relation:***

Harmonious relation between employer and employee are essential to achieve organizational growth and higher productivity.



UNIT-2

HUMAN RESOURCE PLANNING

Meaning and Definition of Human Resource Planning

Human Resources Planning is the process of determining the manpower needs of an enterprise so that it is possible to fill up any vacancy as and when it arises. Such a plan eliminates the risk of surplus or shortage of staff at any time.

The process of systematically reviewing HR requirements to ensure that the required numbers of employees, with the required skills, are available when they are needed.

Human Resource Planning Activities

The Human resource planning activities include

- *Forecasting future personnel requirements*
- *Inventorizing with respect to analyzing with present manpower*
- *Anticipating manpower problems*
- *Planning regarding recruitment, transfer, promotion, training and development, motivation, compensation etc.*

Objectives of Human Resource Planning

The main objectives of Human resource planning are

- *Ensure adequate supply of Human Resource*
- *Proper use of existing Human Resource*
- *Forecast future requirements*
- *Assess surplus or shortage*
- *Anticipate the impact of technology on jobs and requirements of Human Resource*
- *Control Human Resource*



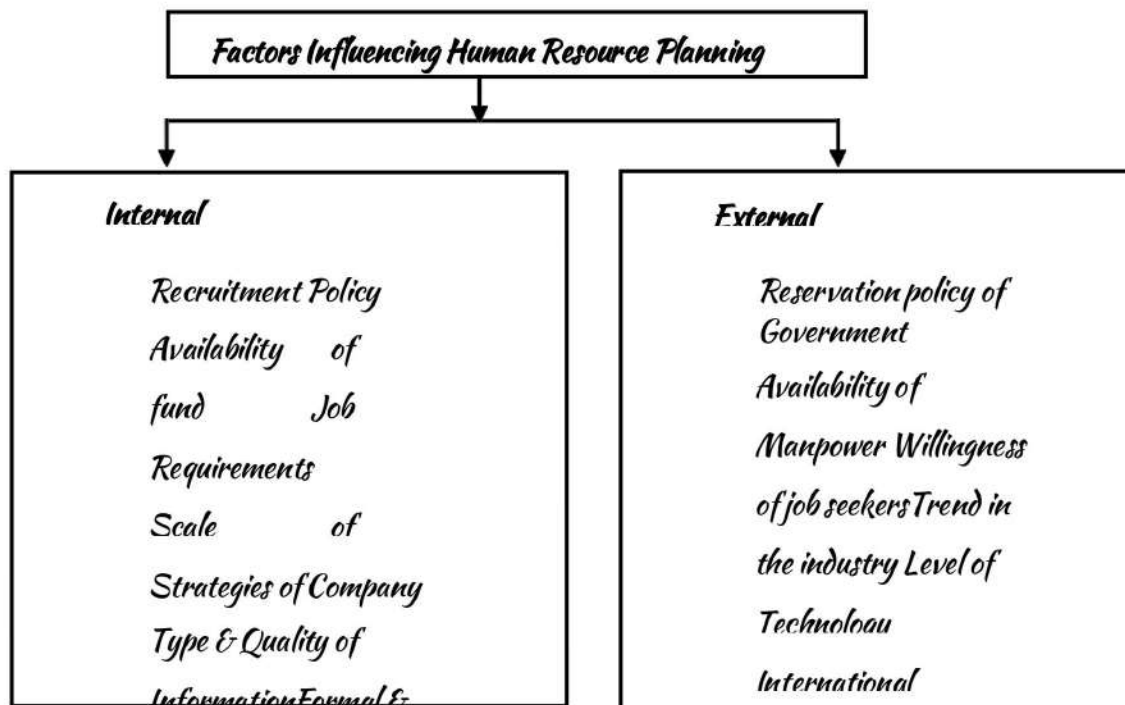
Importance / Benefits of Human Resource Planning

The Importance or benefits of Human Resource Planning are listed below

- It helps the organization to procure the required manpower.*
- It further helps to replace employees.*
- It helps in expansion program.*
- Ensures optimum investment in human resource.*
- It is indispensable to give effect to reservation policy.*
- It is essential in view of the labour turnover.*
- Helps to tackle the problem of surplus or shortage of manpower.*
- It becomes necessary to meet the needs of changing technology.*

Factors Influencing Human Resource Planning

There are many factors which influence Human Resource Planning and they are categorized as internal and external factors





Process or Steps involved in Human Resource Planning

The process of HRP is same across the large organization but a small organization may skip one or the other steps. The following are the steps involved in the process of HRP

- 1. Analysis the corporate and unit level strategies (Expansion, Merger, Reduction etc.,)*
- 2. Demand forecasting of human resources.*
- 3. Forecasting supply.*
- 4. Estimating net human requirement.*
- 5. In case of future surplus, plan for redeployment, retrenchment and Lay-off.*
- 6. In case of future deficit, forecast the future supply.*
- 7. Plan for requirement, development and internal mobility if future supply is more than or equal to net human resources requirement.*
- 8. Plan to modify or adjust if future supply will be inadequate.*

JOB ANALYSIS

Meaning

The process of determining the nature and contents of a particular job is job analysis.

Such an analysis will bring out the following:

- The task to be performed.*
- The conditions under which the job has to be performed.*
- The skills and capabilities required to perform the job.*

Importance of Job Analysis

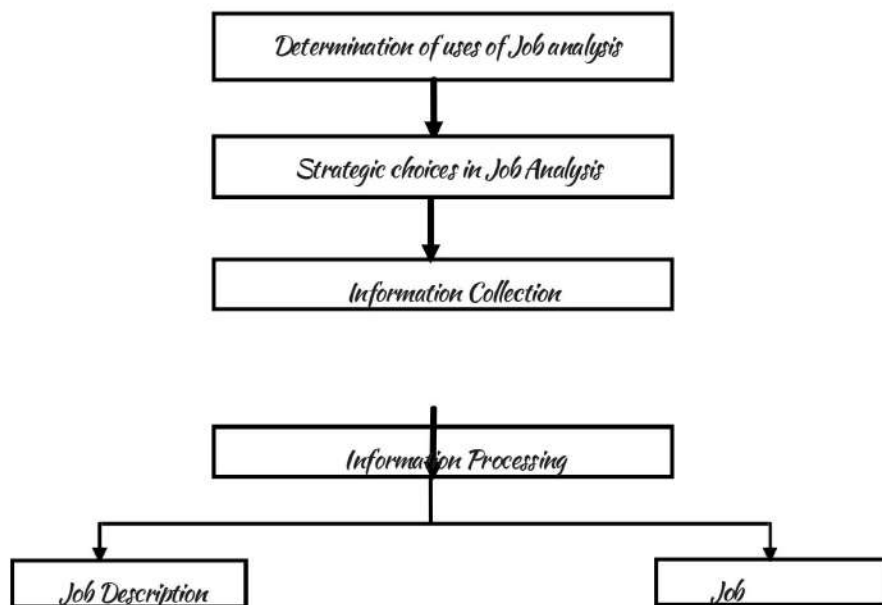
- Basis for all the ones Human resource management activities.*
- Enable the HR Manager to develop criteria for*



- Recruiting
- Selection
- Training and development
- Performance appraisal,
- Compensation
- Avoids problem of unclear tasks, conflicting duties, wrong use of people.

Job Analysis Process

The steps of Job analysis are as follows



1. Determination of uses of job Analysis

Before undertaking the actual procedure of job analysis, the organizations should define the uses of job analysis.

2. Strategic choices in Job Analysis

The four strategic choices are

- *Extent of employee involvement in Job analysis*



- *Level of details of the analysis*
- *Timing and frequency of the analysis*

3. Information collection

In collecting information for job analysis, the major decisions involved are

- *Type of information to be collected*
- *Methods to be employed for information collection and*
- *Persons involved in information collections.*

4. Information processing

It involves editing and classifying information into different relevant categories and preparing job description and job specification.

Data Collected Through Job Analysis

Information are gathered while doing Job analysis and the data collected are in context

to

- *Work Activities*
- *Worker-oriented activities*
- *Machines, tools, equipment, and work aids used*
- *Job-related tangibles and intangibles*
- *Work performance*
- *Job context*
- *Personal requirements for the job*

Uses of Job Analysis Information

Job analysis plays a vital role in Human resource management and the information collected by means of Job analysis are used for

- *Recruitment and Selection*
- *Performance appraisal*
- *Job evaluation*



- *Wage and salary decisions (Compensation)*
- *Training requirement*

JOB DESCRIPTION

Job description is a written statement of the content of a job which is derived from the job analysis or it is "An organized statement of the duties and responsibilities of a specific Job".

Job description components

1. *Job identification*
 - *Job title, Job code, Date, Author, Location, Job grade, Supervisor and Status*
2. *Job summary*
3. *Job duties*
4. *Working conditions*
5. *Approvals*

JOB SPECIFICATION

Job specification is a document which states the minimum acceptable human qualities necessary to perform the job successfully.

It spells out the important attributes of a person in terms of education, experience, skills, knowledge and abilities to perform a particular job.

Job specification components

- *Job identification*
- *Job Specification*
- *Skill factors*
- *Education*



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- *Experience*
- *Communication*
- *Effort factors*
- *Physical demands*
- *Mental demands*
- *Working conditions*



Meaning

Training is the process of imparting skill or job knowledge to a person. It takes an individual from where he is to where he should be.

Definition

Training is the organized procedure in which people learn knowledge and/or skill for definite purpose

- Dale S. Beach

Need For Training

1. To enable the new recruits to understand work:

A person who is taking up his job for the first time must become familiar with it. For example, if a fresh graduate is appointed as a clerk in a bank, he must first of all gain knowledge of the work assigned to him. For this, basic training is needed without any basic training, the individual will not be able to do his work.

2. To enable existing employees to update skill and knowledge:

Training is not something needed for the newly recruited staff alone. Even the existing employees of a concern may require training to update their skill and knowledge.

3. To enable an employees who has been promoted to understand his responsibilities.

Training is essential for an employee who has just been promoted to a higher level of job. Training, in the case of such an employee, will help to understand the intricacies of his new job.

4. To enable an employee to become versatile:

Sometimes an employee may have to gain knowledge of several related jobs. It will not be enough if he is only good in the work he does presently. For this purpose,



he will be posted in different sections. A training programme will help employee to become versatile.

5. To enable the employees to adapt to change in work methods:

Training is also needed if the work method in an organization is going to be changed completely. In such a case, all the employees of the concern will be required to undergo training to understand the newer methods of work.

Importance of Training

1. Improvement in skill and knowledge

Training, certainly results in improvement in the skill and knowledge of the employee.

This helps the employee to perform his job much better.

2. Higher production and productivity

If an enterprise has a team of well trained employees, it will be able to expand its production. There will be a rise not only in production in terms of number of units but also in productivity.

3. Job satisfaction

Well trained employees are able to perform their jobs with a higher degree of skill. Such employees are bound to have a higher level of job satisfaction.

4. Better use of resources

Trained employees will be able to make better use of the materials and machines. This reduces the rate of wastage and spoilage of materials and also breakage of tools and machines.

5. Reduction in accidents

Trained employees are aware of the safety precautions to be taken while at work. This is bound to bring down the number of accidents in the workplace.

Essentials of Good Training Programme.

1. It should have a specific goal

The training programme should have a specific goal



2. The training method should be appropriate

The method of training should be the most appropriate one under the given circumstances

3. It should be relevant

The contents of the training programme should be relevant

4. There may be provision of suitable incentives:

Suitable incentives may be given to those who have successfully undergone training.

Such incentives may be either financial or non-financial.

5. It should consider individual differences

The employees of a concern are not identical in so far as their age, experience, designation, qualification etc are concerned. Such individual differences should not be ignored before they are sent for a training programmed.

6. It should make the trainees accountable

The training programmed will be successful only if the trainees are made to account for their activities in the place of training. To make the trainees accountable, the superior may ask them to prepare and submit a report on what they learnt.

Steps or Stages Involved in Training

The process of training involves the following stages:

1. Identifying the training needs of the staff

The training needs of different categories of employees in an organization are not the same. A new entrant must learn his job first. He must also become familiar with the company's policies, rules and regulations. For this, induction training may be necessary.

On the other hand, another employee may need training to update his knowledge and skill.



2. Establishment of training goal

The management should have short term and long term goals. The short term training goal of the management will be to improve the level of efficiency of the employees and thereby achieve higher production and sales. The long term training goal can be to build a strong team of talented and committed staff that is vital for the future growth of the enterprise.

3. Selecting the right method of training

The third stage in the training process is to select the most suitable method of training. There are on-the job and off-the job training methods. A new recruit who has to learn the basics of certain work may be trained within the organization itself.

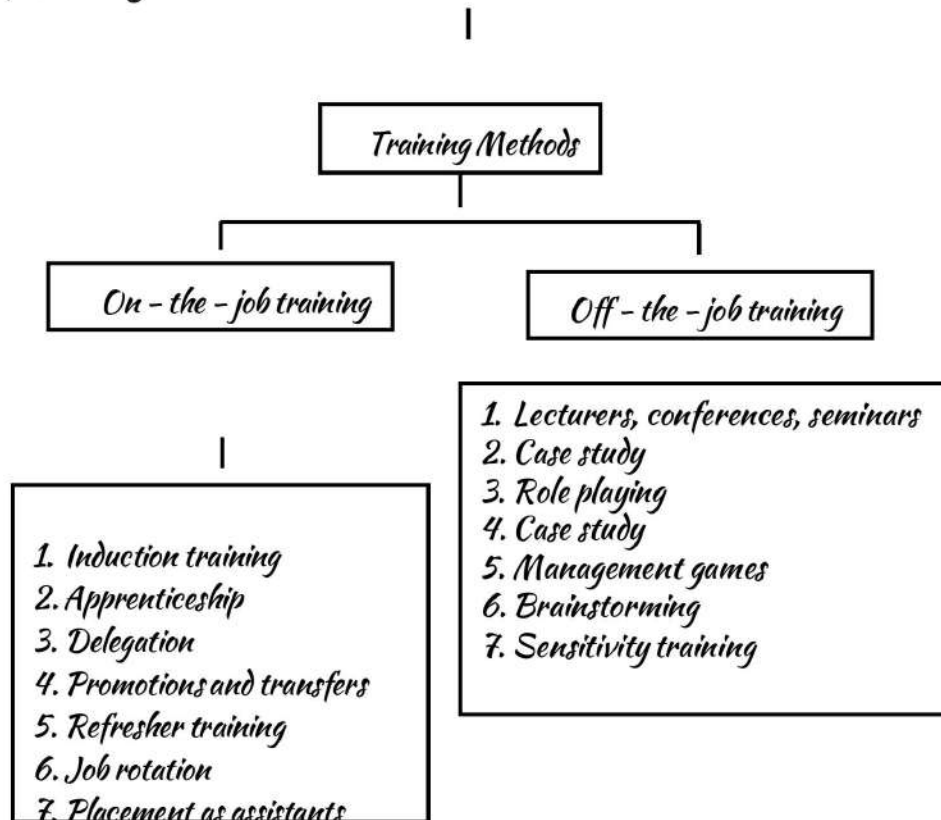
On the other hand, an employee who has to learn certain new techniques of work may be sent to a training institute. The method to be selected must depend upon the needs of the employee and the enterprise.

4. Making an evaluation of training effectiveness

Training is meaningful only if its effectiveness is measured. The performance of the employees, who has undergone training, is the most important indicator of training effectiveness.



Methods of Training



The various methods of training may be grouped under two categories:

1. On-the job training and
2. Off-the job training.

1. On-the job training

On-the job training refers to training given to an employee in the place where he is employed. Work and learn is the philosophy of such a training concept. The following are some of the important on-the-job training methods:

Induction training

It is meant for the new employees and its sole object is to adapt them to the specialized job requirements and work methods of the enterprise. Under such training, the new employee, is to begin with, given a description of his job. At the same time, he is provided with a set of policies, rules and procedures which have a bearing on his performance as an employee. He is also told as to who are his superiors and subordinates.

Apprenticeship

It is one of the oldest form of training. Under it, a worker is appointed as an



apprentice. He is placed under the charge of a qualified senior worker of work by observing and assisting his senior. In skilled trades apprenticeship training is the most common

Delegation

It is a process whereby the superior assigns certain responsibility to his subordinate and also delegates to him authority in equal measure. It makes the subordinate feel important in the sense that he is given a task to complete and also proportionate authority over physical and human resources to complete it.

Promotions and transfers

A promotion or transfer in the case of an employee may cause a significant change in the nature of his duties and responsibilities. In the case of the former, it may also mean a rise in authority and remuneration and perquisites. But while it is true that an employee must properly be trained before he is promoted or transferred.

Refresher training

The object of refresher training is to enable the workers to constantly update their job knowledge. The knowledge and skill of the workers in our business establishments tend to become outdated due to the advancement in sciences and technology. The workers therefore need to update their skill.

Job rotation

This kind of training enables an employee to become well versed in different kinds of work, each of which is not totally different. Clerks in banks are usually subjected to job rotation. In a bank, the employee is made to serve in different sections – savings bank, current account, fixed deposit, and cash and so on. This enables him to become versatile as far as the bank job is concerned.

Once an employee becomes familiar with different types of work, he can be posted in any section depending upon the need.

Placement as assistants

To broaden the outlook of the trainee and to prepare him for wider managerial responsibilities he may, by turns be posted as an assistant to different departmental heads. The object of this is to enable the trainee to acquire actual managerial experience in each department of the enterprise.

Vestibule training

In the context of training, the term 'Vestibule' refers to a training



school established within the factory premises. The working conditions and facilities in such a training school are so created that the place of training almost resembles the actual workplace. Instructors specifically appointed for the purpose will train a large number of workers in such a school.

2. Off-the-job training

Off-the-job training refers to training given to staff at a place away from the actual work place. The following are some of the important off-the-job training methods:

Lecturers, conferences, seminars etc

Lecture courses may be used to impart knowledge as also develop analytical abilities among workers. Large enterprise may employ qualified and trained persons to conduct specific lecture. Courses suited to the needs of different categories of workers.

Conferences provide an occasion for formal interchange of views among the employees of different enterprises. Seminars and workshops provided by educational institutions and professional bodies may also be of great help in training of the business personnel.

Case study

In case study method, the trainees are given an organizational problem in written form. The problem may be something that has been experienced in some workplace or may even be imaginary one. The participants may be asked to analyze the cause of the problem, suggest alternative solutions and also indicate the best solution in the prevailing conditions. Case study approach is useful to develop the analytical abilities of the trainees.

Role playing

It is a training method in which the participant trainees are to enact the roles given to them. In a role-playing session, a specific organizational problem may be explained to the trainee group and each participant may be asked to act in the manner he would if he were the decision-maker. The success of role-playing as a technique of training depends very much on the seriousness with which the participants play their role.

Brainstorming



Brainstorming is a problem solving technique which consists of evaluation of ideas put forward by a group of people who are convened especially for this purpose. It facilitates a pooling of knowledge and experience of different people who are experts in their respective fields, with a view to solving complex problems. Thus it enables a problem-situation to be looked at from different points of view making it easier to find an optimum solution.

Sensitivity training

Such a method, of training has been developed with the object of promoting good human relations among the trainees. The sensitivity training group is called the 'T-Group'. The actual training involves interaction between members of a small group that has no formal agenda. In the course of such interactions members also do become sensitive to the views expressed by their associates.

PERFORMANCE APPRAISAL

Definitions

Performance Appraisal has been defined as follows:

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

Characteristics of Performance Appraisal

The following are the characteristics of Performance Appraisal

- 1. A Process :*** *Performance appraisal is not a one-act play. It is rather a process that involves several acts or steps.*
- 2. Systematic Assessment :*** *Performance appraisal is a systematic assessment of an employee's strengths and weakness in the context of the given job.*
- 3. Main Objective :*** *The main objective of it is to know how well an employee is going for the organisation and what needs to be improved in him.*
- 4. Scientific Evaluation:*** *It is an objective, unbiased and scientific*



evaluation through

similar measure and procedures for all employees in a formal manner.

5. **Periodic Evaluation:** *The systematic appraisal of an individual employee is likely to occur at certain intervals throughout that person's history of employment.*
6. **Continuous Process:** *In addition to being periodic performance usually is an ongoing process.*
7. **Employee Feedback:** *Performance appraisal system provides information to employees on how well they are doing their jobs, and this feedback is provided to them when it is relevant.*

Objectives of Performance Appraisal

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

- *To review past performance*
- *To assess training needs*
- *To help develop individuals*
- *To audit the skills within an organizations*
- *To set targets for future performance*
- *To identify potential for promotion.*

Performance Appraisal Methods

There are numerous methods which have been devised to measure the quantity and quality of employees' job performance. Each of the methods could be effective for some purposes, for some organizations. These methods are appropriate as per the company's requirements.

1. *Traditional method*
2. *Modern method*

1. Traditional method



- *Graphic Rating Scale*
- *Ranking Method*
- *Paired comparison method*
- *Forced Distribution method.*
- *Checklist Methods*
- *Critical Incident Method*
- *Essay Method*
- *Group appraisal*
- *Confidential Reports*
- *Self appraisal*
- *Grading*

Modern methods

1. *Behaviorally anchored rating scales bars*
2. *Assessment center*
3. *Human Resource Accounting*
4. *Management by Objective.*
5. *360 Appraisal*



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UNIT -4

A national wage policy, thus aims at establishing wages at the highest possible level, which the economic conditions of the country permit and ensuring that the wage earner gets a fair share of the increased prosperity of the country as a whole resulting from the economic development.

The term “wage policy” here refers to legislation or government action calculated to affect the level or structure of wages or both, for the purpose of attaining specific objectives of social and economic policy.

- 1. To eliminate malpractices in the payment of wages.*
- 2. To set minimum wages for workers, whose bargaining position is weak due to the fact that they are either un-organised or inefficiently organised. In other words, to reduce wage differential between the organised and unorganised sectors.*
- 3. To ration alise inter-occupational, inter-industrial and inter-regional wage differentials in such a way that disparities are reduced in a phased manner.*
- 4. To ensure reduction of disparities of wages and salaries between the private sector and public sector in a phased manner.*
- 5. To compensate workers for the raise in the cost of living in such a manner that in the process, the ratio of disparity between the highest paid and the lowest paid worker is reduced.*
- 6. To provide for the promotion and growth of trade unions and collective bargaining.*
- 7. To obtain for the workers a just share in the fruits of economic development.*
- 8. To avoid following a policy of high wages to such an extent that it results in substitution of capital for labour thereby reducing employment.*
- 9. To prevent high profitability units with better capacity to pay a level of wages far in excess of the prevailing level of wages in other sectors.*
- 10. To permit bilateral collective bargaining within national framework so that high wage islands are not created.*
- 11. To encourage the development of incentive systems of payment with a view to raising productivity and the real wages of workers.*



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12. To bring about a more efficient allocation and utilisation of man-power through wage differentials and appropriate systems of payments. In order to achieve the above objectives under the national wage policy, the following regulations have been adopted by the state:

1. Prescribing minimum rates of wages.
2. Compulsory conciliation and arbitration.
3. Wage boards.

1. Minimum Wages:

In order to prescribe the minimum rate of wages, the Minimum Wages Act, 1948 was passed. The Act empowers the government to fix minimum rates of wages in respect of certain sweated and unorganised employments. It also provides for the review of these wages at intervals not exceeding 5 years.

2. Compulsory Conciliation and Arbitration:

With the object of providing for conciliation and arbitration, the Industrial Disputes Act 1947 was passed. It provides for the appointment of Industrial Tribunals and National Industrial Tribunals for settlement of industrial disputes including those relating to wages.

3. Wage Boards:

A wage board is a tripartite body with representatives of management and workers, presided over by a government nominated chairman who can act as an umpire in the event of disagreement among the parties.

Technically, a wage board can make only recommendations, since there is no legal sanction for it, but for all practical purposes, they are awards which if made unanimously, are considered binding upon employers.

Following factors influence the determination of wage rate:

1. Ability to Pay:



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The ability of an industry to pay will influence wage rate to be paid, if the concern is running into losses, then it may not be able to pay higher wage rates. A profitable enterprise may pay more to attract good workers. During the period of prosperity, workers are paid higher wages because management wants to share the profits with labour.

2. Demand and Supply:

The labour market conditions or demand and supply forces to operate at the national and local levels and determine the wage rates. When the demand for a particular type of skilled labour is more and supply is less than the wages will be more. One the other hand, if supply is more demand on the other hand, is less then persons will be available at lower wage rates also.

According to Mescon, " the supply and demand compensation criterion is very closely related to the prevailing pay comparable wage and on-going wage concepts since, in essence to all these remuneration standards are determined by immediate market forces and factors.

3. Prevailing Market Rates:

No enterprise can ignore prevailing wage rates. The wage rates paid in the industry or other concerns at the same place will form a base for fixing wage rates. If a unit or concern pays low rates then workers leave their jobs whenever they get a job somewhere else. It will not be possible to retain good workers for long periods.

4. Cost of Living:

In many industries wages are linked to enterprise cost of living which ensures a fair wages to workers. The wage rates are directly influenced by cost of living of a place. The workers will accept a wage which may ensure them a minimum standard of living.

Wages will also be adjusted according to price index number. The increase in price index will erode the purchasing power of workers and they will demand



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higher wages. When the prices are stable, then frequent wage increases may not be required

5. Bargaining of Trade Unions:

The wage rates are also influenced by the bargaining power of trade unions. Stronger the trade union, higher will be the wage rates. The strength of a trade union is judged by its membership, financial position and type of leadership.

6. Productivity:

Productivity is the contribution of the workers in order to increase output. It also measures the contribution of other factors of production like machines, materials, and management. Wage increase is sometimes associated with increase in productivity. Workers may also be offered additional bonus, etc., if productivity increases beyond a certain level. It is common practice to issue productivity bonus in industrial units.

7. Government Regulations:

To improve the working conditions of workers, government may pass a legislation for fixing minimum wages of workers. This may ensure them, a minimum level of living. In under developed countries bargaining power of labour is weak and employers try to exploit workers by paying them low wages. In India, Minimum Wages Act, 1948 was passed empower government to fix minimum wages of workers. Similarly, many other important legislation passed by government help to improve the wage structure.

8. Cost of Training:

In determining, the wages of the workers, in different occupations, allowances must be made for all the exercises incurred on training and time devoted for it.

Systems of payments

Paycheck



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You might consider paying your employees by either writing or printing payroll checks. With paychecks, employees do not need to have bank accounts. Employees can use a check cashing service (for a fee) to receive their wages.

Some employees prefer to receive their wages via paychecks because they like having an actual check delivered to them. However, paychecks could get lost or stolen.

Time and cost of this payment option

With a written paycheck, you need to handwrite a paycheck for each employee. Writing out the checks each pay period takes time. For handwritten checks, you will need to purchase blank checks.

If you decide to print your employees' paychecks, you can save considerable time from writing them all out. However, you will pay more in supplies to print the paychecks. For printing paychecks, you need check stock, ink, and a printer. You might even need a special MICR printer with magnetic ink to read, process, and print bank account and routing numbers on the checks.

Direct deposit

Direct deposit is the most common payment method used. Eighty-two percent of U.S. workers receive their wages via direct deposit. One of the biggest benefits of direct deposit is the convenience it offers for both you and your employees.

With direct deposit, you receive your employees' banking information when you hire them and deposit their wages each pay period. Your employees do not need to be physically present at your business to receive payment each period. For example, if an employee is on vacation, they will still receive their wages on time.

Time and cost of this payment option

With direct deposit, you do not need to worry about filling out and distributing checks each period. If you have online payroll software, direct deposit might be incorporated at no added cost. Simply review your payroll before submitting it to be deposited in your employees' bank accounts.



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If you do not have payroll software, you will be responsible for paying direct deposit fees. You might need to pay set-up fees, monthly fees, and a small fee per pay period for each direct deposit. Set-up fees could range from \$50–\$150, and transaction fees might be \$1.50 per transaction.

JOB EVALUATION

A job evaluation is a systematic way of determining the value/worth of a job in relation to other jobs in an organization. It tries to make a systematic comparison between jobs to assess their relative worth for the purpose of establishing a rational pay structure. Job evaluation needs to be differentiated from job analysis. Job analysis is a systematic way of gathering information about a job. Every job evaluation method requires at least some basic job analysis in order to provide factual information about the jobs concerned. Thus, job evaluation begins with job analysis and ends at that point where the worth of a job is ascertained for achieving pay equity between jobs and different roles.

There are four basic methods of job evaluation currently in use which are grouped into two categories:

1. Qualitative Methods

(a) Ranking or Job Comparison

(b) Grading or Job Classification

2. Quantitative Methods

(a) Point Rating

(b) Factor Comparison

Methods of Job Evaluation

1. Ranking Method

The ranking method is the simplest form of job evaluation. In this method, each job as a whole is compared with other and this comparison of jobs goes on



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until all the jobs have been evaluated and ranked. All jobs are ranked in the order of their importance from the simplest to the hardest or from the highest to the lowest.

Ranking method is appropriate for small-size organizations where jobs are simple and few. It is also suitable for evaluating managerial jobs wherein job contents cannot be measured in quantitative terms. Ranking method being simple one can be used in the initial stages of job evaluation in an organization.

Merits of Ranking Method

- (i) It is the simplest method.*
- (ii) It is quite economical to put it into effect.*
- (iii) It is less time consuming and involves little paper work.*

Demerits of Ranking Method

- (i) The main demerit of the ranking method is that there are no definite standards of judgment and also there is no way of measuring the differences between jobs.*
- (ii) It suffers from its sheer unmanageability when there are a large number of jobs.*

2. Grading Method

Grading method is also known as 'classification method'. This method of job evaluation was made popular by the U.S. Civil Service Commission. Under this method, job grades or classes are established by an authorised body or committee appointed for this purpose. A job grade is defined as a group of different jobs of similar difficulty or requiring similar skills to perform them. Job grades are determined on the basis of information derived from job analysis.

The grades or classes are created by identifying some common denominator such as skills, knowledge and responsibilities. The example of job grades may include, depending on the type of jobs the organisation offers, skilled, unskilled,



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account clerk, clerk-cum-typist, steno typist, office superintendent, laboratory assistant and so on.

Merits of Grading Method

- (i) This method is easy to understand and simple to operate.*
- (ii) It is economical and, therefore, suitable for small organizations.*
- (iii) The grouping of jobs into classifications makes pay determination problem easy to administer.*
- (iv) This method is useful for Government jobs.*

Demerits of Grading Method

- (i) The method suffers from personal bias of the committee members.*
- (ii) It cannot deal with complex jobs which will not fit neatly into one grade.*
- (iii) This method is rarely used in an industry.*

3. Points Rating

This is the most widely used method of job evaluation. Under this method, jobs are broke down based on various identifiable factors such as skill, effort, training, knowledge, hazards, responsibility, etc. Thereafter, points are allocated to each of these factors.

Weights are given to factors depending on their importance to perform the job. Points so allocated to various factors of a job are then summed. Then, the jobs with similar total of points are placed in similar pay grades. The sum of points gives an index of the relative significance of the jobs that are rated.

Merits of Points Rating

- (i) It is the most comprehensive and accurate method of job evaluation.*



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- (ii) *Prejudice and human judgment are minimized, i.e. the system cannot be easily manipulated.*
- (iii) *Being the systematic method, workers of the organization favour this method.*
- (iv) *The scales developed in this method can be used for long time.*
- (v) *Jobs can be easily placed in distinct categories.*

Demerits of Points Rating

- (i) *It is both time-consuming and expensive method.*
- (ii) *It is difficult to understand for an average worker.*
- (iii) *A lot of clerical work is involved in recording rating scales.*
- (iv) *It is not suitable for managerial jobs wherein the work content is not measurable in quantitative terms.*

4. Factor Comparison Method

This method is a combination of both ranking and point methods in the sense that it rates jobs by comparing them and makes analysis by breaking jobs into compensable factors. This system is usually used to evaluate white collar, professional and managerial positions.

Merits of Factor Comparison Method

- (i) *It is more objective method of job evaluation.*
- (ii) *The method is flexible as there is no upper limit on the rating of a factor.*
- (iii) *It is fairly easy method to explain to employees.*
- (iv) *The use of limited number of factors (usually five) ensures less chances of overlapping and over-weighting of factors.*



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(v) It facilitates determining the relative worth of different jobs.

Demerits of Factor Comparison Method

(i) It is expensive and time-consuming method.

(ii) Using the same five factors for evaluating jobs may not always be appropriate because jobs differ across and within organizations.

(iii) It is difficult to understand and operate.

Basic Pay

The concept of basic Pay is contained in the report of the Fair Wages Committee. According to this Committee, the floor of the basic pay is the "minimum wage" which provides "not merely for the bare sustenance of life but for the preservation of the efficiency of the workers by providing some measure of education, medical requirements and amenities." The basic Pay has been the most stable and fixed as compared to dearness allowance and annual bonus which usually change with movements in the cost of living indices and the performance of the industry.

Dearness Allowance

Dearness allowance is a cost of living adjustment allowance paid to the government employees and pensioners. It is one of the components of salary, and is counted as a fixed percentage of the person's basic salary. It is adjusted according to the inflationary trends to lessen the impact of inflation on government employees.

D.A. as a Separate Component

The fixation of wage structure also includes within its compass a fixation of rates of dearness allowance. In the context of a changing pattern of prices and consumption, real wages of the workmen are likely to fluctuate greatly. Ultimately, it is the good



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The Second World War, too, repeated the same economic inflation and again the demand for increased D.A. was made by the industrial workers. It is to be noted here that the main reason for keeping the D.A. as a separate component and not merging it in the wages, was due to the fact that the employers always considered the D.A. increase as a temporary feature and expected such allowance to be adjusted downward, if the cost of living restored. But their hope was never fulfilled and the D.A. continued to remain as a separate component which could be raised with the rise in the price index number. This element of D.A. is also found in some of the early reports like the Report of Rau Court of Inquiry which was constituted in the year 1940 under the provisions of the Trade Disputes Act, 1929 to investigate the dearness allowance of railway employees. Subsequently, Justice Rajadhyaksha Award given in 1946 in the trade dispute between the Post Telegraph Department and its non-gazetted employees, the Central Pay Commission 1947, the Committee on Fair Wages, 1948, the Bank Award Commission, 1955, the Second Pay Commission, 1959, the Dass Commission, 1965 and the Gajendragatkar Commission, 1967, all approved and recommended payment of D.A. as a separate component of the earning of the workers. The Wage-Boards also generally sought to keep the D.A. as a separate component although some of them recommended the merger of D.A. with the basic wage.

Foreign Countries Experience

It is interesting to note that the practice of paying D.A. as a separate component appears to be confined only to India and some Asian countries and similar concept is not found elsewhere in other industrial countries. However in other countries to meet the demand of the increase cost of living, the real wages themselves are revised to provide for the desired level of standard of living. Some wage agreements contain 'escalator clause' to provide for the review of wages in the event of increase in price index. Such

practice is common in USA, Italy and Scandinavian countries. In Japan cost of living allowance and rent allowance is comprised in the wages. In some countries the wage agreements provided for the increase in wage as a separate component linked with the increase in the price index. In India such increase is referred as 'Dearness Allowance' keeping it as 3 component distinct from the wages. There are different pros and cons of retaining D.A. as a separate component



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in India as it would give flexibility in the determination of the quantum of D.A. corresponding to the increase in the Price Index number and to achieve desirable level of neutralisation.

Overtime Payment

Working overtime in industry is possibly as old as the industrial revolution. The necessity of the managements' seeking overtime working from employees becomes inevitable mainly to overcome inappropriate allocation of manpower and improper scheduling, absenteeism, unforeseen situations created due to genuine difficulties like breakdown of machines. In many companies, overtime is necessary to meet urgent delivery dates, sudden upswings in production schedules, or to give management a degree of flexibility in matching labour capacity to production demands. The payment of overtime allowance to the factory and workshop employees is guaranteed by law. All employees who are deemed to be workers under the Factories Act or under the Minimum Wages Act are entitled to it at twice the ordinary rate of their wages for the work done in excess of 9 hours on any day or for more than 48 hours in any week. The major benefit of overtime working to workers is that it offers an increase in income from work.

Annual Bonus

The bonus component of the industrial compensation system, though a quite old one, had assumed a statutory status only with the enactment of the Payment of Bonus Act, 1965. The Act is applicable to factories and other establishments employing 20 or more employees.

Eligibility: Every employee not drawing salary/wages beyond Rs. 10,000 per month who has worked for not less than 30 days in an accounting year, shall be eligible for bonus for minimum of 8.33% of the salary/wages even if there is loss in the establishment whereas a maximum of 20% of the employee's salary/wages is payable as bonus in an accounting year. However, in case of the employees whose salary/wages range between Rs. 3500 to Rs. 10,000 per month for the purpose of payment of bonus, their salaries/wages would be deemed to be Rs. 3500.



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Incentive System

The term “incentive” has been used both in the restricted sense of participation and in the widest sense of financial motivation. It is used to signify inducements offered to employees to put forth their best in order to maximise production results. Incentives are classified as financial and non-financial. Important financial incentives are attractive wages, bonus, dearness allowance, traveling allowance, housing allowance, gratuity, pension, and provident fund contributions. Some of the non-financial incentives are designation, nature of the job, working conditions, status, privileges, job security, opportunity for advancement and participation in decision making. However, a vast diversity exists in regard to policy and practice of incentive payments. Incentive systems also have been classified into three groups: individual wage incentive plan, group incentive scheme, and organisation-wide incentive system.

The individual wage incentive plan is the extra compensation paid to an individual over a specified amount for his production effort. Individual incentive systems are based upon certain norms established by work measurement techniques such as past performance, bargaining between union and the management, time study, standard data, predetermined elemental times and work sampling. There are four types of individual incentive systems such as measured day-work, piece-work standard, group plans and gains-sharing plans. Under the measured day-work incentive wage system, an individual receives his regular hourly rate of pay, irrespective of his performance. Piece-work system form the most simple and frequently used incentive wage. In this, individual's earnings are direct and proportionate to their output. Group plans embody a guaranteed base rate to the workers in which the performance over standard is rewarded by a proportionate premium over base pay. Gains-sharing system involves a disproportionate increase in monetary rewards for increasing output beyond a predetermined standard. As the gains are shared with the entrepreneurs, the worker gets less than one per cent increment in wage for every one percent increase in output.

The group or area incentive scheme provides for the payment of a bonus either equally or proportionately to individuals within a group or area. The bonus is related to the output achieved over an agreed standard or to the time saved on the



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job – the difference between allowed time and actual time. Such schemes may be most appropriate where:

- (a) People have to work together and teamwork has to be encouraged; and*
- (b) high levels of production depend a great deal on the cooperation existing among a team of workers as compared with the individual efforts of team members.*

The organization-wide incentive system involves cooperation among employees and the management and purports to accomplish broader organizational objectives such as:

- (i) To reduce labor, material and supply costs;*
- (ii) To strengthen loyalty to the company;*
- (iii) To promote harmonious labor-management relations; and*
- (iv) To decrease turnover and absenteeism.*

One of the aspects of organization-wide incentive system is profit sharing under which an employee receives a share of the profit fixed in advance under an agreement freely entered into. The major objective of the profit sharing system is to strengthen the unity of interest and the spirit of cooperation. Some of the advantages of such a scheme are:

- (i) it inculcates in employees' a sense of economic discipline as regards wage costs and productivity;*
- (ii) it engenders improved communication and increased sense of participation;*
- (iii) it is relatively simple and its cost of administration is low; and*
- (iv) it is non-inflationary, if properly devised.*

One of the essentials of a sound profit sharing system is that it should not be treated as a substitute for adequate wages but provide something extra to the participants. Full support and cooperation of the union is to be obtained in implementing such a scheme.

Fringe Benefits

The remuneration that the employees receive for their contribution cannot be measured by the mere estimation of wages and salaries paid to them. Certain



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supplementary benefits and services known as “fringe benefits” are also available to them. The characteristics of fringe benefits are:

1. These benefits are distinctly additional to the regular wages paid to the workers. As such, they are not provided as a substitute for wages or salaries of the employees.
2. These benefits are meant primarily to be of advantage to the employees.
3. The advantages accrued to the employees through the provision of fringe benefits are as such they cannot be secured through their own individual efforts.
4. Only those benefits fall within the purview of fringe benefits which are or can be expressed in cash terms.
5. The scope of fringe benefits is different from that of welfare services. Fringe benefits are provided by the employers alone whereas welfare services may be provided by other agencies as well. Benefits that have no relation to employment should not be regarded as fringe benefits.

Fringe benefits have been classified in several ways. In terms of their objectives, Meggison classifies them into two groups: those providing for employees' security and those purporting to increase employees' job satisfaction causing reduction in labour turnover and improvement in productivity. The former group includes retirement programmes, workmen's compensation, unemployment compensation, social insurance, and other provisions. The later group incorporates vacations, holidays, sick leave, discounts on company goods and services, and allied tangible and intangible benefits.

Fringe benefits are also categorised as statutory, contractual, and voluntary. Statutory benefits include social security and medical care, unemployment compensation, workmen's compensation, provident fund, and gratuity. The benefits provided by the employers in pursuance of agreements with workers may include dearness allowance, house rent allowance, city compensatory allowance, medical allowance, night-shift allowance, heat allowance, transport, housing and educational allowances. Voluntary fringe benefits which are provided unilaterally by the company include group insurance, death benevolent fund, washing allowance, leave encashment, leave travel concession, conveyance allowance, incentive for family planning, service awards, and suggestion awards.



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Currently fringe benefits are a significant part of employee compensation system and the employees tend to take them for granted and do not link these items with wages or income as they do not have any direct bearing on payments. They are no more on the fringe of compensation but form an integral component of individual's earnings involving spiraling costs for the company. However, the fringe benefit system can become effective if attempts are made to gear them to the needs of human resource in organisational settings.

Conveyance allowance

Conveyance allowance is one of the compulsory employee benefits provided for meeting an expenditure incurred by an employee (especially government employee) for commuting from home to office and office to home. In order to claim conveyance allowance by an employee, he or she should reside and work in towns only.

City compensatory allowance

City compensatory allowance is one of the employee benefits provided for meeting additional cost of living for working in cities.

MINIMUM WAGES ACT 1948:

Object and scope of the legislation

To provide for fixing minimum rates of wages in certain employments.

The employments are those which are included in the schedule and are referred to as 'Scheduled Employments'. The Act extends to whole of India.

Appropriate Government [Section 2(b)] Means

– Central Government, in relation to any scheduled employment carried on by or under the authority of the Central or a railway administration, or in relation to a mine, oilfield or major part or any corporation established by a Central Act, and State Government, in relation to any other scheduled employment.

Scheduled employment [Section 2(g)] Means



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An employment specified in the Schedule or any process or branch of work forming part of such employment. The schedule is divided into two parts namely, Part I and Part II. When originally enacted Part I of Schedule had 12 entries.

Part II relates to employment in agriculture. It was realised that it would be necessary to fix minimum wages in many more employments to be identified in course of time. Accordingly, powers were given to appropriate Government to add employments to the Schedule by following the procedure laid down in Section 21 of the Act. The State Government and Central Government have made several additions to the Schedule and it differs from State to State.

Wages [Section 2(h)] Means

All remunerations capable of being expressed in terms of money, which would, if the terms of the contract of employment, express or implied, were fulfilled, be payable to a person employed in respect of his employment or of work done in such employment. And includes house rent allowance. But does not include: the value of any house accommodation, supply of light, water medical; the value of any any other amenity or any service excluded by general or social order of the appropriate Government; contribution by the employer to any Pension Fund or Provides Fund or under any scheme of social insurance; any traveling allowance or the value of any traveling concession; any sum paid to the person employed to defray special expenses entailed on him by the nature of his employment; any gratuity payable on discharge.

Fixation of minimum rates of wages [Section 3(1)(a)] *'Appropriate Government' shall fix the minimum rates of wages, payable to employees in an employment specified in Part I and Part II of the Schedule, and in an employment added to either part by notification under Section 27. In case of the employments specified in Part II of the Schedule, the minimum rates of wages may not be fixed for the entire State. Parts of the State may be left out altogether.*

Revision of minimum wages {Section 3(1)(b)}

Appropriate Government' may review at such intervals as it may think fit, such intervals not exceeding 5 years, and revise the minimum rate of wages, if



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necessary. This means that minimum wages can be revised earlier than five years also.

Manner of fixation/revision of minimum wages {Section 3(2)} ‘Appropriate Government’ may fix minimum rate of wages for: time work, known as a Minimum Time Rate; piece work, known as a Minimum Piece Rate; a “Guaranteed Time Rate” for those employed in piece work for

Different minimum rates of wages may be fixed for {Section 3(3)}–

Different scheduled employments; different classes of work in the same scheduled employments; adults, adolescents, children and apprentices; different localities Minimum rates of wages may be fixed by any one or more of the following wage periods- by the day, by the month, or by such other large wage periods as may be prescribed; Where such rates are fixed by the day or by the month, the manner of calculating wages for month or for a day as the case may be, may be indicated. However, where wage period has been fixed in accordance with the Payment of Wages Act, 1936 vide Section 4 thereof; minimum wages shall be fixed in accordance therewith

Minimum rate of wages (Section 4)

Any minimum rate of wages fixed or revised by the appropriate Government under Section 3 may consist of – a basic rate of wages and a special allowance at a rate to be adjusted, at such intervals and in such manner as the appropriate Government may direct to accord as nearly as practicable with the variation in the cost of living index number applicable to such worker (hereinafter referred to as the cost of living allowance); or a basic rate of wages or without the cost of living allowance and the cash value of the concession in respect of supplies of essential

EMPLOYEE COMPENSATION ACT 1923:

Objective and Scope of this Act The Employees’ Compensation Act

is social security legislation.



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It imposes statutory liability upon an employer to discharge his moral obligation towards his employees when they suffer from physical disabilities and diseases during the course of employment in hazardous working conditions.

To help the dependents of the employee rendered destitute by the 'accidents' and from the hardship arising out from such accidents.

The Act provides for cheaper and quicker mode of disposal of disputes relating to compensation through special proceedings than possible under the civil law.

The Act extends to the whole of India.

Dependant 2(1)(d)

Means any of the following relatives of a deceased employee: a widow, a minor legitimate or adopted son, an unmarried legitimate or adopted daughter, or a widowed mother, and if wholly dependent on the earnings of the employee at the time of his death, a son or a daughter who has attained the age of 18 years and who is infirm; and if wholly or in part dependent on the earnings of the employee at the time of his death: a widower, a parent other than a widowed mother, a minor illegitimate son, an unmarried illegitimate daughter or a daughter legitimate or illegitimate or adopted if married and a minor, or if widowed and a minor, a minor brother or an unmarried sister, or a widowed sister if a minor,

Wages { Section 2(1)(m)}

Include any privilege or benefit which is capable of being estimated in money, other than a travelling allowance or the value of any travelling concession or a contribution paid by the employer to an employee towards any pension or provident fund or a sum paid to employee to cover any special expenses entailed on him by the nature of his employment.

PAYMENT OF BONUS ACT 1965:

The Payment of Bonus Act, 1965 provides for the payment of bonus to persons employed in certain establishments, employing 20 or more persons, on the



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basis of profits or on the basis of production or productivity and matters connected there with.

The minimum bonus of 8.33% is payable by every industry and establishment under section 10 of the Act. The maximum bonus including productivity linked bonus that can be paid in any accounting year shall not exceed 20% of the salary/wage of an employee under the section 31 A of the Act.

Applicability

- *Payment of Bonus Act, 1965 extends to whole of India.*
- *Payment of Bonus Act, 1965 applies to every factory and to every other establishment in which 20 or more persons are employed on any day during an accounting year;*
- *The Government may also apply the act on any factory or establishment in which has less than 20 but not less than 10 persons are employed;*
- *Payment of Bonus Act, 1965 is applicable on every employee whether doing any skilled, unskilled, manual, supervisory, managerial, administrative, technical or clerical work for hire or reward and whether the terms of employment are express or implied.*

Eligibility

- *Payment of Bonus Act, 1965 is applicable on employees drawing wages / salary up-to 10,000/- per month.*
- *Only those employees are entitled for bonus, who have worked for at least 30 working days in an accounting year.*

Rate of Bonus

- *33% of the salary or wages earned by an employee in a year or Rs. 100/-, whichever is higher.*
- *In case allocable surplus exceeds the amount of provision of minimum bonus, the employer shall be bound to pay maximum bonus not exceeding 20% of the salary or wages earned by employees.*
- *In case allocable surplus exceeds the maximum bonus (20% of the salary or wages earned by employees), the excess surplus shall be carried forward for*



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being set on in the succeeding accounting years up to and inclusive of the 4th accounting year.



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Unit-5

MEANING AND DEFINITION OF GRIEVANCE

Meaning

An integral part of human resource management is the effective handling of grievance. Every employee has certain job expectations. When the organization, where the employee is working fails to fulfill such expectations, he develops discontent or dissatisfaction. Grievance thus arises due to the gap between the expectations of an employee and the extent of their fulfillment.

Definition

Beach defines a grievance as “any dissatisfaction or feeling of injustice in connection with one’s employment situation that is brought to the notice of the management”

CHARACTERISTICS OF GRIEVANCE

- 1. A grievance is an employee’s feeling of dissatisfaction.*
- 2. The dissatisfaction must be in respect of certain organizational matters.*
- 3. The dissatisfaction may be expressed grievance .*
- 4. The discontent may be factual or imaginary.*

SOURCES OR CAUSES OF GRIEVANCE

1. Unsuitable job

The employee is not given job in tune with his qualification and experience.

2. Inadequate pay

The remuneration paid to the employee is inadequate when compared with the work done by him.



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3. No guaranteed minimum wage

The employee is not assured of minimum daily wage.

4. Lack of job security

The service of the employee may be terminated at any time.

5. Lack of social security benefits

- *The number of days of leave the employee can avail is inadequate.*
- *The employee is not entitled to benefits such as pension, provident fund, gratuity, insurance etc.,*

6. Inadequate leave facilities

If the number of days of leave, the employee can avail is inadequate.

7. Lack of incentives

The company doesn't provide incentive for achieving the targets or when the employee performs in an excellent way.

METHODS OF KNOWING GRIEVANCES

The methods of knowing grievances are

1. *The open-door policy.*
2. *Complaints boxes*
3. *Opinion survey*
4. *Exit interview*

1. The open-door policy

Under this method, any employee who has grievance can enter manager's cabin and discuss with him his problem. This is a straight forward approach.

2. Complaint box

Another way of knowing the grievance of the employee is to encourage them to drop their written complaints into the complaints boxes kept in the



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workplace. The employees may not be required to write their name in the complaints letters so that they can express their grievances freely.

3. Opinion survey

Opinion survey may be conducted at regular intervals to find out the views of the employee on the policies of the management such as surveys help to know the feeling, reaction and sentiment of the employee. The management can make note of the negative remarks of the employee to certain policy decisions made and take suitable action before these take the form of grievance.

4. Exit interview

Employee who quit the organizations may be interviewed to know the reason for their decision. Generally it is only those employees who have grievances quit their organization. The interview may reveal the specific problem, if any in the work environment and guide the management in taking suitable corrective action.

GRIEVANCE REDRESSAL PROCEDURE

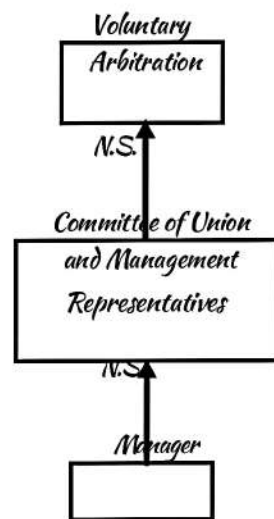
An aggrieved worker shall approach the foreman, inform his grievance orally and seek the redressal of his grievance. If it is not redressed to his satisfaction, he approaches the supervisor who has to give a decision to the complaint of the worker within 48 hours. If the decision (answer) is not acceptable to the worker or if the superior does not give an answer, the worker can go to the next step.

At the third stage, the worker can, either in person or accompanied by his departmental representative, approach the head of the department who has to give an answer before the expiry of three days. If the department head fails to do so or if the decision given by him is not acceptable to the worker, then the worker can resort to the Grievance Committee which comprises of the representatives of employers and employees. This Committee shall communicate its recommendations to the manager within seven days of the grievance reaching it. If there are unanimous decisions, these shall be implemented by the Committee shall be recorded and all the relevant records shall be placed before the manager for decision. The manager shall communicate his decision within three days. The worker has got a right to appeal against the manager's decision.



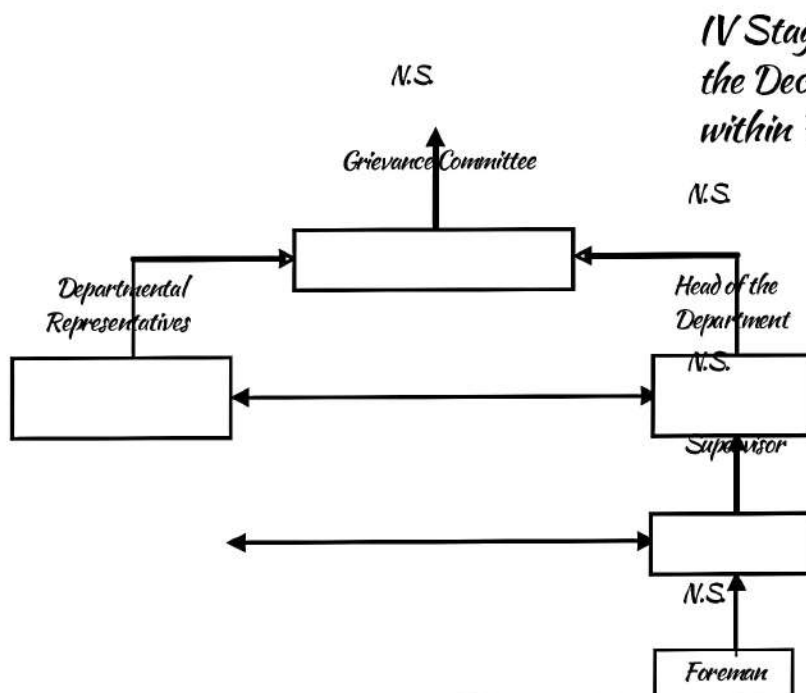
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These appeals shall be decided within the week. If the aggrieved desires, he can take along with him a union official for discussion with the authority. In case a decision has not been arrived at, at this stage, the union and management may refer the grievance to voluntary arbitration within a week of receipt of the management's decision by the worker.



VI Stage within 7 Days

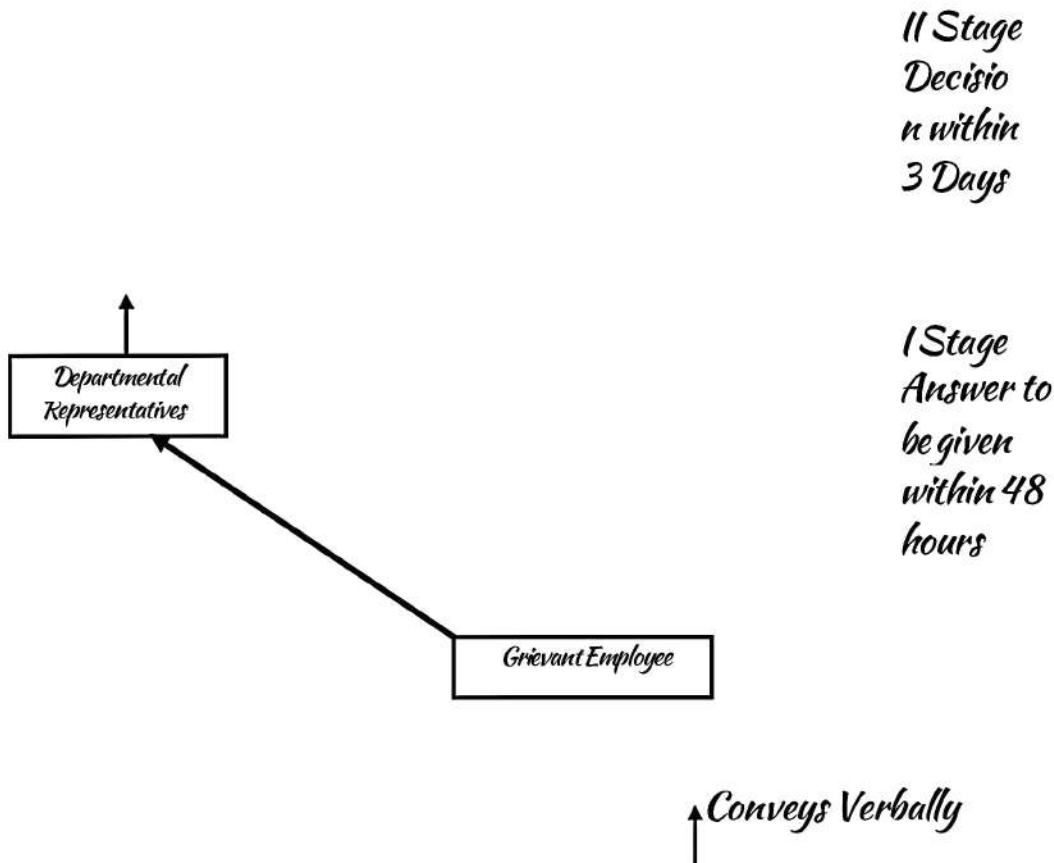
*V Stage
Appeal to
Management
for Revision*



*IV Stage Communicates
the Decision
within 7 Days*



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Benefit of grievance redressal procedure

- It brings to the knowledge of the management*
- To express formally*
- Finding a remedy*
- Better employee employer relationships*
- Further prevents a grievance*
- Systematic handling*
- It prescribes a time frame.*



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Need for a Grievance Procedure

Grievance procedure is necessary for any organisation due to the following reasons:

- Most grievances seriously disturb the employees. This may affect their morale, productivity and their willingness to cooperate with the organisation.*
- It is not possible that all the complaints of the employees would be settled by first- time supervisors, for these supervisors may not have had a proper training for the purpose, and they may lack authority.*
- It serves as a check on the arbitrary actions of the management because supervisors know that employees are likely to see to it that their protest does reach the higher management.*
- It serves as an outlet for employee gripes, discontent and frustrations.*

COLLECTIVE BARGAINING

Meaning

Collective bargaining takes place when a number of work people enter into a negotiation as a bargaining unit with an employer or group of employers with the object of reaching an agreement on the conditions of the employment of the work people.

Objectives

Collective bargaining has benefits not only for the present, but also for the future. The objectives of collective bargaining are

- To provide an opportunity to the workers, to voice their problems on issues related to employment*
- To facilitate reaching a solution that is acceptable to all the parties involved*
- To resolve all conflicts and disputes in a mutually agreeable manner.*
- To prevent any conflicts/disputes in the future through mutually signed*



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contracts

- *To develop a conducive atmosphere to foster good industrial relations*

Process of Collective Bargaining

The process of collective bargaining involves six major steps:

- 1. Preparing for negotiations*
- 2. Identifying bargaining issues*
- 3. Negotiation*
- 4. Settlement and Contract Agreement*
- 5. Administration of the agreement*

1. Preparing for negotiation

Careful advance preparations by employers and employees are necessary because of the complexity of the issue and broad range of topics to be discussed during negotiations. Effective bargaining means presenting an orderly and factual case to each side.

2. Identifying Bargaining Issues

The major issues discussed in collective bargaining fall under the following four categories:

- ***Wage related issues:*** *These include such topics as how basic wage rates are determined, cost of living adjustments, wage differentials, overtime, wage adjustments and the like.*
- ***Supplementary Economic benefits :*** *These include such issues as pension plans, paid vacations, paid holidays, health insurance plans, retrenchment pay, unemployment pension, and the like.*
- ***Institutional Issues:*** *These consist of the rights and duties of employers, employees, unions, employee's stock ownership schemes and Quality Work Life programmes.*



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- *Administrative Issues:* These include such issues as seniority, employee discipline and discharge procedures, employee health and safety, technological changes, work rules, job security, training and the like.

3. Negotiating

Preparations having been made and issues been identified, the next logical step in the collective bargaining process is negotiation. The negotiation phase begins with each side presenting its initial demands. The negotiation goes on for days until the final agreement is reached.

4. Settlement and Contract Agreement

After an initial agreement has been made, the two sides usually return to their respective constituencies to determine whether what they have informally agreed upon is acceptable. In this stage, the union-negotiating team explains and puts the agreement to the union members for a vote. If voted, this agreement is formalized into a contract. It is important that the contract must be clear and precise.

5. Administration of the Agreement

The agreement must be implemented according to the letter and spirit of the provisions of the agreement. Faculty implementation or violation of any provision leads to disputes. The HR must play crucial role in the day -to - day administration of the contract. He or she advises on matters of discipline and works to resolve grievances arising out of the agreement.

MEANING OF INDISCIPLINE

The attitude of the employees with reference to the rules and regulation of an organization is what is termed as discipline, employees are disciplined if they adhere to those rules and regulation and are undisciplined if they don't adhere to the rules and regulations

CAUSES OF INDISCIPLINE



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There are many causes for Indiscipline and they are listed below

- *Faulty selection and placement of employee.*
- *Lack of proper code of conduct for the employees*
- *Uninteresting work.*
- *Ineffective leadership.*
- *Favoritism in to the matter of employees evaluation*
- *Favoritism in the matter of forcing rules*
- *Lack of proper system of communication.*
- *Absence of good supervisors.*
- *The 'divide and rule' policy of the employer.*
- *Autocratic attitude of the management.*
- *Lack of machinery for the redressal of grievances.*
- *Distrust among subordinates and supervisor.*
- *Bad working conditions.*

CONFLICT

“A process which begins when one party perceives that another party has frustrated or is about to frustrate, some concern of his”.

Features

- *Incompatibility*
- *Unable to choose among alternatives*
- *Dynamic process*
- *State of mind*

Stages of conflict

1. *Latent* – occur in subconscious mind.



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2. *Perceived* – may perceive about incompatibility.
3. *Felt* – parties to the conflict feel.
4. *Manifest* – conflictual behavior.
5. *Conflict aftermath* – suppressed or resolved.

Positive aspects of conflict

- *Think again and view situation*
- *Innovation*
- *Cohesiveness*
- *Challenging work environment*
- *Indicate short comings*
- *Overcome many frustrate.*

Negative aspects of conflict

- *Cost on the part of organization*
- *High tension among employees*
- *Discontentment*
- *Mistrust*
- *Goal displacement*
- *Resignation of personal*

**5.15 LEVELS OF CONFLICT / INDIVIDUAL ASPECT OF
CONFLICT/ CONFLICT INORGANIZATIONAL BEHAVIORS**

There are three level of conflict

1. *Individual*
2. *Group*



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3. Organizational

**1. Individual level
conflict**

*The Individual level conflict may be
Intrapersonal*

*Interpersonal
Intrapersonal*

There are three types of conflicts which every individual experiences. They are.

a. Frustration

- b. Goal conflict*
- c. Role conflict*

a) Frustration

When expectations are not fulfilled, frustration occurs. Barriers create frustration. Employees react to barriers by

- Aggression*
- Withdrawal*
- Fixation*
- Compromise.*

b) Goal conflict

- Existence of two or more competing goals*
- Occurs when 2 or more goals block each other*

Goal conflict arises under 3 situations

Approach-approach conflict

- Individual has both attractive goals, which are mutually exclusive*



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- *Whichever choice he makes, he will attain a positively – valued outcome*
- *Problem comes when desirability are equal*

Approach-avoidance conflict

- *Individual has both positive and negative feeling about goals*
- *Great deal of conflict when approach equals avoidance*

Example: *Manager engaged in long-term planning very confident of goal. When he hears the goal, negative aspect increase the positive aspect.*

Avoidance-avoidance conflict

- *This is the situation where the individual must choose between two mutually exclusive goals, each of which possesses unattractive qualities.*
- *Bounce back and forth.*
- *Alternative available is leaving the organization.*

c) Role conflict

- *Individual performs number of roles however organization role is important.*
- *Role conflict arises when role expected is different from behavioral role.*

Four type of role conflict are:

- ***Intrasender:*** *expectations from a single member of a role set may be incompatible.*
- ***Intersender:*** *expectations send from one sender is in conflict with those of other senders.*



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- *Inter role:* occupies two or more role simultaneously and the expectations associated with those different role are incompatible.
- *Role self:* occurs when role requirements violate the needs, values or capacities of person.

Factors in role conflict

Factors are classified into three categories

- *Role ambiguity:* When role expectations are inadequately defined or substantially unknown, role ambiguity exists.
- *Organizational position:* When a person has to perform a variety of organizational roles assigned to him.
- *Personal characteristics:* Role conflict also arises because of personal characteristics like emotion, flexibility, need for career achievement etc.,

1.2. Interpersonal conflict

There are several forms of hierarchal conflict between various level of management, functional conflict between occupational specialists.

These conflicts may be in two forms

- *Vertical conflict and*
- *Horizontal conflict*

Vertical conflict

- *Superior – Subordinate relationship results into vertical conflict which usually arises because superior attempts to control the behaviour of his subordinates and subordinates resist such control.*

Horizontal conflict

- *Occurs among the persons at the same hierarchical level in the same function or in different functions.*