HUMAN RESOURCE MANAGEMENT

SEMESTER – V

18BTM54C

Objectives:

To learn the various managerial skills necessary for the success of tourism industry.

To enable the students to understand the procedures and practice applied for the manpower training and placement

UNIT I

1. HRM-Introduction Meaning and Definition
2. Evolution of HR Practices
3. Functions of HRM
4.Organizational structure of HR Department

UNIT II

1. Human Resource Planning-Meaning and Definition
2. Job Analysis, Job Evaluation
3. Recruitment and Selection
4. Induction

UNIT I1I

1. Human Resource Development -Meaning and Definition
2. Training &Development
3. Promotion Transfers
4. Employee Retention

UNIT I IV

1. Compenaton
2. Rewards and incentives
3. Performance Appraisal. Potential Appraisal

4. Employee Attrition

UNITV

1. Roe of HR Managers
2. Employee Morale
3. Quality of Work Life (QWL
4. Latest trends in HRM

Books Recemmended for Reference:

1. Jobn Bration (2017h Husun Reouree Managemneut Theoey and Practice, Palgravw.
2. KAswathappa (2010, Human Reoure Manngment Tests and Caoes, McGrw Hill, Siuh Edition, New Dellh.
3. Gary Dessler (2011), A Framewoek for Human Resource Management, Pearson, Noida
4. David B. Balkin & Rotert 1. Candy (2014), Managing Human Reources, PHI, New Delhi

UNIT IV

COMPENATON

Compensation refers to the remuneration that an employee receives in return for his/her services to the organization. Compensation management is an integral part of human resource management and helps in motivating the employees and improving organizational effectiveness.

Compensation is a comprehensive term which includes everything an employee receives in return for his work such as wages, salaries, allowances, benefits and services**.**

Although there is no basic difference between the term ‘wages’ and ‘salaries’, generally ‘salary’ is used for compensation to white-collar employees while ‘wages’ is used to denote the payment made to blue-collar workers. Another difference is that salaries are paid on a monthly basis whereas wages may be paid on hourly or daily basis.

Meaning of Compensation in HRM

Compensation refers to the remuneration that an employee receives in return for his/her services to the organization. Compensation management is an integral part of human resource management and helps in motivating the employees and improving organizational effectiveness

In organizations, determining the rates of monetary compensation is by far the most difficult functions of human resource management. It is not only complex, but significant both to the organization and its employees. Employee compensation decisions are crucial for the success of an organization. From a cost perspective, effective management of employee compensation is critical because of the existence of total operating costs.

Another reason for studying compensation from the organization’s perspective is to assess its impact on a wide range of employee attitudes and behaviours and, ultimately the effectiveness of the organization and its units. Some of the organizational outcomes such as job satisfaction, attraction, manpower retention, job performance, skill acquisition, cooperation, and flexibility are directly influenced by compensation.

How is Compensation Used?

Compensation is a tool used by management for a variety of purposes to further the existence of the company. Compensation may be adjusted according the business needs, goals and available resources.

Compensation may be used to:

a. Recruit and retain qualified employees.

b. Increase or maintain morale/satisfaction.

c. Reward and encourage peak performance.

d. Achieve internal and external equity.

e. Reduce turnover and encourage company loyalty.

f. Modify (through negotiations) practices of unions.

Objectives of Compensation Policy

The objectives of compensation policy are as follows −

- Allure suitable staff.
- Keep qualified personnel.
- Develop reward structures that are equitable with logical and fair pay relationships between differently valued jobs.
- Manage pay structures to mirror inflationary effects.
- Assure that rewards and salary costs handle changes in market rates or organizational change.
- Appraise performance, duty, and loyalty, and provide for progression.
- Abide with legal requirements.
- Maintain compensation levels and differentials under review and control salary or wage costs.

Importance of Compensation Management

A good compensation is a must for every business organization, as it gives an employee a reason to stick to the company.

An organization gains from a structured compensation management in the following ways −

- It tries to give proper refund to the employees for their contributions to the organization.
- It discovers a positive control on the efficiency of employees and motivates them to perform better and achieve the specific standards.
- It creates a base for happiness and satisfaction of the workforce that limits the labor turnover and confers a stable organization.
- It enhances the job evaluation process, which in return helps in setting up more realistic and achievable standards.

- It is designed to abide with the various labor acts and thus does not result in conflicts between the employee union and the management. This creates a peaceful relationship between the employer and the employees.
- It excites an environment of morale, efficiency and cooperation among the workers and ensures satisfaction to the workers.

Types of Compensations

We have learnt about what compensation and its importance is. However, when it comes to an organization, be it private or public, compensations are further divided into the following −

Direct Compensation

It is naturally made up of salary payments and health benefits. The creation of salary ranges and pay scales for different positions within an organization are the central responsibility of compensation management staff.

Direct compensation that is in line with the industry standards facilitates employees with the assurance that they are getting paid fairly. This helps the employer not to worry about the costly loss of trained staff to a competitor.

Indirect Compensation

It focuses on the personal encouragements of each individual to work. Although salary is essential, people are most productive in jobs where they share the company's values and priorities.

These benefits can include things like free staff development courses, subsidized day care, the chances for promotion or transfer within the company, public recognition, the ability to effect change or bring some changes in the workplace, and service to others.

These are the two types of compensation that need to be managed and have its own contribution in the development of the organization. Moving forward, we will see the different components of compensation.

REWARDS

Reward Management is concerned with the formulation and implementation of strategies and policies that aim to reward people fairly, equitably and consistently in accordance with their value to the organization

.1 Objectives of Reward Management

- Support the organisation‘s strategy
- Recruit & retain
- Motivate employees
- Internal & external equity
- Strengthen psychological contract
- Financially sustainable
- Comply with legislation
- Efficiently administered

Basic Types of Reward Extrinsic rewards

- – satisfy basic needs: survival, security
  - Pay, conditions, treatment
  - Intrinsic rewards
- – satisfy higher needs: esteem,development

Role of Compensation and Reward in Organization:

Compensation and Reward system plays vital role in a business organization. Since, among four Ms, i.e Men, Material, Machine and Money, Men has been most important factor, it is impossible to imagine a business process without Men.

Land, Labor, Capital and Organization are four major factors of production.

Every factor contributes to the process of production/business. It expects return from the business process such as Rent is the return expected by the Landlord. similarly Capitalist expects Interest and Organizers i.e Entrepreneur expects profits. The labour expects wages from the process.

It is evident that other factors are in-human factors and as such labour plays vital role in bringing about the process of production/business in motion. The other factors being human, has expectations, emotions, ambitions and egos. Labour therefore expects to have fair share in the business/production process.

INCENTIVES

Incentives Incentives are monetary benefits paid to workmen in lieu of their outstanding performance. Incentives vary from individual to individual and from period to period for the same individual. They are universal and are paid in every sector. It works as motivational force to work for their performance as incentive forms the part total remuneration. Incentives when added to salary increase the earning thus increase the standard of living. The advantage of incentive payment are reduced supervision, better utilisation of equipment, reduced scrap, reduced lost time, reduced absenteeism and turnover & increased output.

According to Burack & Smith, “An incentive scheme is a plan or programmes to motivate individual or group on performance. An incentive programme is most frequently built on monitory rewards (incentive pay or monetary bonus), but may also include a variety of non monetary rewards or prizes.

Kinds of Incentives

Incentives can be classified under the following categories:

1. Individual and Organizational Incentives
2. Financial and Non-Financial Incentives
3. Positive and Negative Incentives

1) Individual and Organizational Incentives-

According to L.G. Magginson, “Individual incentives are the extra compensation paid to an individual for all production over a specified magnitude which stems from his exercise of more than normal skill, effort or concentration when accomplished in a predetermined way involving standard tools, facilities and materials.” individual performance is measured to calculate incentive where as organizational or group incentive involve cooperation among employees, management and union and purport to accomplish broader objectives such as an organization-wide reduction in labour, material and supply costs, strengthening of employee loyalty to company, harmonious management and decreased turnover and absenteeism.

I) Individual Incentive System is of two types:

]a) Time based System- It includes Halsey Plan, Rowan Plan, Emerson Plan and Bedeaux Plan b) Production based System- it includes Taylor’s Differential Piece Rate System, Gantt’s Task and Bonus Plan

II) Group Incentive System is of following types

a) Scalon Plan

) Priestman’s Plan

c) Co-Partnership Plan

d) Profit Sharing

Some important these plans of incentive wage payments are as follows:

Halsey Plan:

Under this plan a standard time is fixed in advance for completing a work. Bonus is rewarded to the worker who performs his work in less than the standard time and paid wages according to the time wage system for the saved time. The total earnings of the worker = wages for the actual time + bonus

Rowan Plan:

Under this method minimum wages are guaranteed given to worker at the ordinary rate for the time taken to complete the work. Bonus is that proportion of the wages of the time taken which the time saved bears to the standard time allowed. Incentive = Wages for actual time for completing the work + Bonus

Emerson Plan:

Under this system, wages on the time basis are guaranteed even to those workers whose output is below the standard. The workers who prove efficient are paid a bonus. For the purpose of determining efficiency, either the standard output per unit of time is fixed, or the standard time for a job is determined, and efficiency is determined on the basis of a comparison of actual performance against the standard.

2) Financial and Non-financial Incentives-

Individual or group performance can be measured in financial terms. It means that their performance isrewarded in money or cash as it has a great impact on motivation as a symbol of accomplishment. These incentives form visible and tangible rewards provided in recognition of accomplishment. Financial incentives include salary, premium, reward, dividend, income on investment etc. On the other hand, non-financial incentives are thatsocial and psychological attraction which encourages people to do the work efficiently and effectively. Non-financial incentive can be delegation of responsibility, lack of fear, worker‘s participation, title or promotion, constructive attitude,security of service, good leadership etc..

3) Positive and Negative Incentives

- Positive incentives are those agreeable factorsrelated to work situation which prompt an individual to attain or excel the standards or objectivesset for him, where as negative incentives are those disagreeable factors in a work situation which an individual wants to avoid and strivesto accomplish the standardsrequired on his or her part. Positive incentive may include expected promotion, worker‘s preference, competition with fellow workers and own ‗s record etc. Negative incentivesinclude fear oflay off, discharge,reduction ofsalary, disapprovalby employer etc.

PERFORMANCE APPRAISAL

Performance appraisal or Performance evaluation is a method of evaluating the behaviour of employees in a work place, normally including both the quantitative and qualitative aspect of job performance. Performance here refers to the degree of accomplishment of the tasks that makeup an individual's job. It indicates how well an individual fulfilling the job demands. Performance is measured in terms of results. Thus, Performance appraisal is the process of assessing the performance or progress of an employee, or a group of employees on th given job, as well as his potential for future development. Thus, performance appraisal comprises all formal procedures used in organisations to evaluate contributions, personality, and potential of individual employees

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 : Although informal appraisals tend to take place in an unscheduled manner (on continuous) basis with the enterprises a supervisors evaluate their subordinates work and as subordinates appraise each other rand supervisors on a daily basis.
6. Continuous Process: In addition to being periodic performance usually is an ongoing process.

Purposes of Performance Appraisal

The following are the main purposes of performance appraisal:

1. Appraisal Procedure:

It provides a common and unified measure of performance appraisal, so that all employees are evaluated in the same manner. It gives an in discriminatory rating of all the employees.

2. Decision Making:

Performance appraisal of the employees is extremely useful in the decision making process of the organization. In selection, training, promotion, pay increment and in transfer, performance appraisal is very useful tool.

3. Work Performance Records:

Performance appraisal gives us a complete information in the form of records regarding every employee. In the case of industrial disputes even arbitrator accepts these records in the course of grievance handling procedure.

4. Employees Development:

Performance appraisal guides the employees in removing their defects and improving their working. The weaknesses of the employee recorded in the performance appraisal provide the basis for an individual development programme. If properly recorded and used, the performance appraisal gives the fair opportunities to employees to correct and rectify their mistakes.

5. Enables Supervisors to be More Alert and Competent :

Performance appraisal enables supervisor to be more alert and competent and to improve the quality of supervision by giving him a complete record of employee's performance. He can guide an employee, where he is prone to commit mistakes.

6. Merit Rating :

Merit rating is another name of performance appraisal, it gives supervisors a more effective tool for rating their personnel. It enables them to make more careful analysis of employee's performance and make them more productive and useful.

7. Improves Employer Employee Relations :

Performance appraisal is not only a useful guide for the supervisors and employees but it improves the employer-employee relations by creating a more conductive and amicable atmosphere in the organization. It also stimulates free exchange of thoughts and ideas between the supervisor and his men. In this way performance appraisal bridges the emotional gap between the employer and employee by bringing them more close and by reducing man-to-man differences in the organization.

Uses of Performance Appraisal

Performance appraisal helps the employees in Self-improvement and Self-development. It helps the management in taking decisions about Placement, Promotions, Transfer, Training and Development, etc. It helps to achieve individual and organisational goals. It is useful to the employees and the organisation. Therefore, Performance Appraisal should be conducted objectively from time to time.

1. Help in Deciding Promotion:

It is in the best interest of the management to promote the employees to the positions where they can most effectively use their abilities. A well-organised, development and administered performance appraisal programme may help the management in determining whether an individual should be considered for promotion.

2. Help in Personnel Actions:

Personnel actions such as lay-offs, demotions, transfers and discharges etc. may be justified only if they are based on performance appraisal.

3. Help in Wage and Salary Administration:

The wage increase given to some employees on the basis of their performance may be justified by the performance appraisal results.

4. Help in Training and Development:

An appropriate system of performance appraisal helps the management in devising training and development programmes and in identifying the areas of skill or knowledge in which several employees are not at par with the job requirements.

5. Aid to Personnel Research:

Performance appraisal helps in conducting research in the field of personnel management. Theories in personnel field are the outcome of efforts to find out the cause and effect relationship between personnel and their performance. By studying the various problems which are faced by the performance appraiser, new areas of research may be developed in personnel field.

6. Help in Self Evaluation:

Performance appraisal helps the employee in another way also. Every employee is anxious to know his performance on the job and his potentials for higher jobs so as to bring himself to the level of that position.

POTENTIAL APPRAISAL

The potential appraisal refers to the appraisal involving identification of the hidden talents and skills of a person. The person might or might not be aware of them.

Potential appraisal is a future-oriented appraisal whose main objective is to identify and evaluate the potential of the employees to assume higher positions and responsibilities in the organizational hierarchy.

Many organizations consider and use potential appraisal as a part of the performance appraisal processes. Potential appraising is different from appraising performance.

Potential refers to abilities of an employee which are currently not brought to use by an organization. Potential means the talent capacity to undertake higher challenges on job in future.

Assessing the Potential of the Employee:

1. Find out the requirements of the higher job and see how the employee meets those requirements.
2. Does the employee have the knowledge, skills and attitude which could be utilised in the higher job?
3. How good are the personal performance parameters such as quality of decision making, willingness to take up additional load/responsibilities, dependability, initiative, imagination, open minded to suggestions and new ideas, interpersonal relationship etc.?
4. How could the employee develop those qualities required for performing the job at higher level effectively?
5. Follow-up – Once the management has identified the person, they could provide necessary guidance, training and development so that the person can take higher responsibilities and perform well in his new role.

Potential Appraisal – Top 6 Features

Potential appraisal forms an important part of HRM in finding out the hidden talents of employees.

The following are the features of potential appraisal:

i. Helps assess the employees' capacities, which pave way for them to give their best performance

ii. Helps assess an organization's ability to develop future managers

iii. Helps assess the employees' analytical power, which indicates the ability to analyze problems and examine them critically

iv. Helps build creative imagination, which is the ability of presenting an existing thing in an unconventional and new manner

v. Helps analyze the sense of reality, which refers to an employee's way of interpreting a situation

vi. Helps develop leadership skills, which refer to the abilities to direct, control, and harmonize with people.

EMPLOYEE ATTRITION

Employee attrition is defined as the natural process by which employees leave the workforce – for example, through resignation for personal reasons or retirement – and are not immediately replaced.

Some forms of attrition are unavoidable, like if an employee is retiring or is moving to another city. But after a certain threshold, attrition can make a big dent in your company's bottom line as well as its culture. In this primer, we tell you all you need to know about employee attrition, and how to measure it accurately.

Attrition is an inevitable part of any business. There will come a time when an employee wants to leave your company – for either personal or professional reasons.

But when attrition crosses a particular threshold, it becomes a cause for concern. For example, attrition among minority employee groups could be hurting diversity at your organization. Or, attrition among senior leaders can lead to a significant gap in organizational leadership. Do you know where your company stands on the employee attrition curve?

What Is Employee Attrition?

Employee attrition occurs when the size of your workforce diminishes over time due to unavoidable factors such as employee resignation for personal or professional reasons.

Employees are leaving the workforce faster than they are hired, and it is often outside the employer's control. For example, let's say that you have opened a new office designated as the Sales Hub for your company. Every salesperson must work out of this office – but a few employees cannot relocate and choose to leave the company. This is a typical reason for employee attrition.

But there are other reasons for attrition as well, including the lack of professional growth, a hostile work environment, or declining confidence in the company's market value. Weak leadership is another factor that often drives attrition among employees.

Employee attrition vs. turnover

When defining attrition, remember not to confuse it with turnover. Vacancies left by attrition aren't immediately filled up. This is because a lot of factors can contribute to attrition, including retirement, planned resignations, and structural changes.

Turnover, in contrast, is a more short-term metric. The dent made by turnover must be addressed immediately through rehiring.

What Are the Different Types of Attrition?

There are five types of employee attrition that you need to know of:

1. Attrition due to retirement

If two or three people have retired from your company this year, this is statistically too small an employee group to count under attrition. However, if a sizable chunk of your workforce retires at the same time, this can cause attrition.

Attrition due to retirement shouldn't be swept under the rug – your senior professionals may choose to retire early or become independent consultants due to factors other than age.

2. Voluntary attrition

This is the most common type of attrition, where employees decide to simply quit their jobs. There can be many reasons for voluntary attrition (more on that later) and most of them are in your control.

You should proactively try to curb voluntary attrition among high-value talent, as this can bring down your productivity over time. For example, if a company sees its marketing experts moving out of different business units, it's a clear cause for concern.

3. Involuntary attrition

In this scenario, it is the company and not the employee that initiates the exit. For example, the employee may have shown instances of misconduct in the workplace – a common reason for involuntary attrition. Structural reasons could also cause attrition. Mergers and acquisitions are often followed by a wave of involuntary attrition.

4. Internal attrition

Here, employees are quitting their jobs in one department to join another department. In some cases, internal attrition is desirable, as it routes talent towards more profitable areas. It also ensures better employee-job fitment.

But if a specific department has witnessed a high rate of attrition one year, it merits an investigation. Is there something missing in the job? Is the manager inadequately skilled? These are questions that HR needs to ask and find answers to.

5. Demographic-specific attrition

This is a significant concern for progressive companies trying to build an equal-opportunities workplace. Demographic-specific attrition means that employees from a single group – **women, ethnic minorities, people with disabilities, veterans, or older professionals – are leaving the company** in droves.

You need to immediately deploy employee surveys to identify the root cause of demographics-based attrition before it affects your workplace culture. A positive culture can be the antidote to the quitting epidemic.