Human Resource Management

No. of Credits	3
End Semester Examination	75
Continuous Internal Assessment	25

CIA Components
- Internal Exam 1&2 : 10 marks
- Attendance : 5 marks
- Average of all the given assignments: 5 marks
- Average of all the given seminars : 5 marks
- Total : 25 marks

Syllabus

- Module 1 Introduction to Human Resource Management
  - Meaning- definitions, objectives and importance of HRM, functions of HRM: managerial and operative, nature and scope of HRM, HR manager: role, qualification and qualities
- Module 2 Human Resource Planning, Recruitment and Selection
  - Meaning and importance of HRP, benefits of HRP, meaning of recruitment, selections, placement and training, methods of recruitment and selections, uses of tests in selection, problems in placement.
- Module 3 Training, Induction and HRM strategies
  - Meaning of training and induction, objective and purpose of induction, need for training, benefits of training, identification of training needs, methods of training, HRM strategies, human capital, emotional quotient, mentoring

- Module 4 promotion and Transfers
  - Meaning of promotion, purpose and types, promotion policy, bases of promotion: seniority v/s merit, transfer, need, purpose, types of transfers, demotion, causes of demotion
- Module 5 Performance Appraisal and Compensation
  - Meaning, objectives of performance appraisal, 360 degree appraisal, other methods of performance appraisal and limitations. Principles-techniques of wage fixation, job evaluation, compensation, meaning, objectives and importance

Module 1
Introduction to Human Resource Management

- Human Resource Management is the process of acquiring, training, appraising and compensating employees, and of attending to their labour relations, health and safety, and fairness concerns.
- It includes
  - Conducting job analyses
  - Planning job needs and recruiting job candidates
  - Selecting job candidates
  - Orienting and training new employees
  - Managing wages and salaries
  - Providing incentives and benefits
  - Appraising performance
  - Communication(interviewing, counseling, disciplining)
  - Training and developing managers
  - Building employee commitment

Objectives of HRM

- To provide, create, utilise and motivate employees to accomplish organizational goals.
- To secure integration of individual and groups in securing organizational effectiveness
- To create opportunities, to provide facilities, necessary motivation to individual and group for their growth with the growth of the organization by training and development, compensation etc.
- To employ the skills and ability of the workforce efficiently, i.e., to utilise human resources effectively.
- To increase to the fullest the employee's job satisfaction and self-actualization; it tries to prompt and stimulate every employee to realise his potential.
- To create a sense and feeling of belongingness, team spirit and encourage suggestions from employees.
- To help maintain ethical policies and behaviour inside and outside the organization
- To maintain high moral and good human relation within the organization
- To manage change to the mutual advantage of individuals, groups, the organization and the society.
- To ensure that, there is no threat of unemployment, inequalities, adopting a policy recognising merit and employee contribution, and condition for stability of employement

Importance of HRM

- Organization significance
  - Good HR practices can help in attracting and retaining the best people in the organization
  - Developing the necessary skills and right attitudes among the employees through training, development, performance appraisal etc.
  - Securing willing cooperation of employees through motivation, participation, grievance handling etc.
  - Effective utilisation of available human resources
  - Ensuring that enterprise will have in future a team of competent and dedicated employees.

- Social significance
  - It lies in the need satisfaction of personnel in the organization.
  - Their effectiveness contributes to the welfare of the society.
  - Employment opportunities multiply
  - Eliminating waste of HR through conservation of physical and mental health
  - Scarce talents are put to best use. Companies that pay and treat people well always race ahead of others and deliver excellent results.

- Professional significance
  - Developing people and providing healthy environment for effective utilization of their capabilities.
  - Developing people on a continuous basis to meet challenge of their job
  - Promoting team-work and team spirit among employees
  - Offering excellent growth opportunities to people who have the potential to rise
  - Providing environment and incentives for developing and utilising creativity.

Function of HRM

- Functions of HRM includes:
  - Managerial functions
  - Operative functions

- Managerial functions
  - Planning
  - Organizing
  - Directing
  - Controlling

- Operative functions
  - Recruitment/hiring
  - Job analysis and design
  - Performance appraisal
  - Training and development
  - Salary administration
  - Employee welfare
  - Maintenance
  - Labor relations
  - Personal research
  - Personal record

Nature of HRM

- It is pervasive in nature as it is present in all enterprises
- Its focus is on results rather than on rules
- It tries to help employees develop their potential fully
- It encourages employees to give their best to the organization
- It is all about people at work, both as individuals and group
- It tries to put people on assigned jobs in order to produce good results
- It helps an organization meet its goals in the future by providing for competent and well-motivated employees
- It tries to build and maintain cordial relations between people working at various levels in the organization
- It is a multi-disciplinary activity, utilizing knowledge and inputs drawn from psychology, economics etc.

Scope of HRM

- HRP
- Job analysis design
- Recruitment and selection
- Orientation and induction
- T&D
- Performance appraisal
- Compensation planning and remuneration
- Motivation, welfare, health and safety
- Industrial relations

Qualities of an HR manager

- Personal attributes
  - Must have initiative, resourcefulness, depth of perception, maturity in judgment and analytical ability.
  - Freedom from bias would enable the personnel manager to take an objective view of both the management and the workers.
  - Must have intellectual integrity
  - Must be thorough in labour laws
  - Indepth understanding of human behaviour
  - Must be familiar with human needs, wants, hopes and desires, values, aspirations etc.
  - Intelligence (skills to communicate, articulate, moderate, understand, command over language, mental ability, tact in dealing with people intelligently, ability to draft agreements etc)
  - Educational skills (possess learning and teaching skills as he has to learn and teach about the organizational growth, need for and mode of development of individuals etc.)

- Discriminating skills(ability to discriminate between right and wrong, between the just and unjust, merit and demerit)
- Executing skills (expected to execute the management decisions regarding personal issues with speed, accuracy and objectivity. Should streamline the office, set standards of performance, co-ordiante, control etc.)
- Leadership qualities, deep faith in human values, empathy with human problems, forseeing future needs of employees, organization, government, trade unions, society etc.

- Experience and training
  - Previous experience is an added advantage
  - Training in psychological aspects, labour legislations and more specifically in personnel management and general management.
  - Industry experience

- Professional attitude
  - Should have patience and understanding ability to listen before offering advice.
  - Knowledge of various disciplines like technology, sociology, psychology, philosophy, human physiology, economics, commerce and law.
  - Must be able to couple his social justice with a warm personal interest in people which must be secured by an uncommon degree of common sense.

Qualifications of an HR manager

- In India, qualifications demanded by majority of the companies are:
  - MBA (HR specialization)
  - MA (Social Sciences) from reputed institutes
  - MSW (HR specialization)
- Some organizations internally promote or transfer some competent managers to HR positions to provide growth opportunities

Module 2
Human Resource Planning, Recruitment and Selection

- Human resource planning aims at fulfilling the objectives of manpower requirement. It helps to mobilize the recruited resources for the productive activities. The HRP is an important process aiming to link business strategy and its operation.

Importance of HRP

- Future Manpower Needs
  - HRP ensures that people are available to provide the continued smooth operation of an organization. HRP is regarded as a tool to assure the future availability of manpower to carry on the organizational activities. It determines the future needs of manpower in terms of number and kind.

- Coping with change
  - HRP is important to cope with the change associated with the external environmental factors. It helps assess the current human resources through HR inventory and adapts it to changing technological, political, socio-cultural and economic forces.

- Recruitment of Talented Personnel
  - HRP focuses on recruitment and selection of the most capable personnel to fill job vacancies. It determines human resource needs, assesses the available HR inventory level and finally recut the personnel needed to perform the job.

- Development of Human Resources
  - HRP identifies the skill requirements for various levels of jobs. Then it organizes various T&D campaigns to impart the required skill and ability in employees to perform the task efficiently and effectively.

- Proper utilization of Human Resources
  - HRP measures that the organization acquires and utilizes the manpower effectively to achieve objectives. HRP helps in assessing and recruiting skilled human resource. It focuses on the optimum utilization of human resource to minimize the overall cost of production.

- Uncertainty Reduction
  - Reducing the impact of uncertainty which are brought by unsudden changes in processes and procedures of HRM in the organization.

Benefits of HRP

- To meet up the requirements of the organization
  - Need of personnel of desired skill, knowledge and experience
  - Helps in defining the number of personnel as well as kind of personnel required to satisfy the needs
- Counterbalance insecurity and Change
  - Proper utilization of human and non-human resources in the organization
  - Inadequacy of human resources might occur
  - As a result, manufacturing/production cannot happen
  - HRP helps to offset uncertainties and changes as far as possible and enables to ensure availability of human resources of the right kind, at right time and at right place.

- Helps in checking labour imbalance
  - HRP helps to anticipate shortages or surpluses of manpower.
  - Helps in counter balancing thereby ensuring an inexpensive and manageable situation
- Right-sizing the human resource requirements of the organization
  - In the organization, some posts may fall vacant as a result of retirement, accidents, resignation, promotions or death of the employees.
  - There is constant need for replacing people.
  - HRP estimates future requirements and ensures that human resource of right kind, right number, in the right time and right place

- To meet expansion and diversification needs of the organization
- T&D of employees
- Fulfil individual needs of the employees
- Helps formulation of budgets
  - Helps in anticipating the cost of human resource, facilitates the human resource budgets for various departments of the organization.
- To check joblessness
  - Tries to foresee the need of redundancy.
  - It plans to check job loss or to provide for alternative employment in consultation with various concerned parties and authorities.

Recruitment

- Whenever there is a vacancy in the organization, generally it is to be filled. To make the candidate available for filling those vacancies, their selection procedure and placement on a proper job comes under the purview of recruitment.

- As soon as the available vacancies are known, they are advertised through different media and accordingly the applications are collected for the vacant posts. A group of candidates interested in doing the job and are eligible to do, it is created through recruitment.

- It is an operative function of human resource management coming under the managerial function called organizing. In the words of Edwin Flippo, 'recruitment is the process of searching for prospective employees and stimulating them to apply for jobs in the organisation'.

- In short, it involves attracting and obtaining as many applications as possible from eligible job seekers.
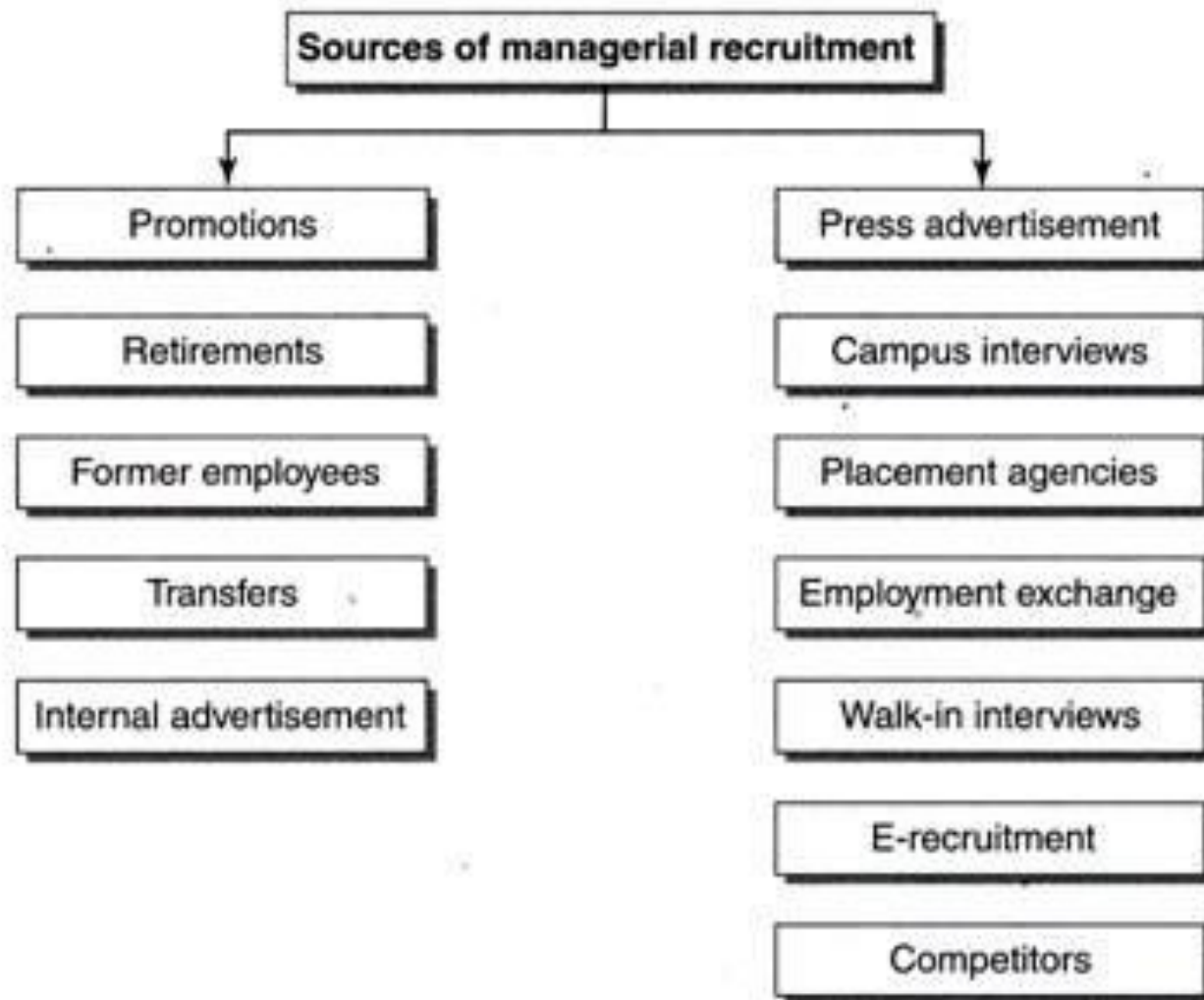
Fig. 5.5 Sources of Recruitment

Selection

- Finding the interested candidates who have submitted their profiles for a particular job is the process of recruitment, and choosing the best and most suitable candidates among them is the process of selection. It results in elimination of unsuitable candidates. It follows scientific techniques for the appropriate choice of a person for the job.

- The recruitment process has a wide coverage as it collects the applications of interested candidates, whereas the selection process narrows down the scope and becomes specific when it selects the suitable candidates.

- Stone defines, 'Selection is the process of differentiating between applicants in order to identify (and hire) those with a greater likelihood of success in a job'.

Selection Methods

- Application forms and CVs
- Online screening and shortlisting
- Interviews
- Psychometric testing
- Ability and aptitude tests
- The term 'ability tests' is used broadly and in this context will encompass aptitude tests too. Ability tests may cover a range of areas including:
  - General intelligence;
  - Verbal ability;
  - Numerical ability;
  - Clerical ability;
  - Diagrammatical ability;
  - Mechanical ability;
  - Sensory and motor abilities.
- Personality profiling
- Presentations
- Group exercises
- Assessment centres
- References
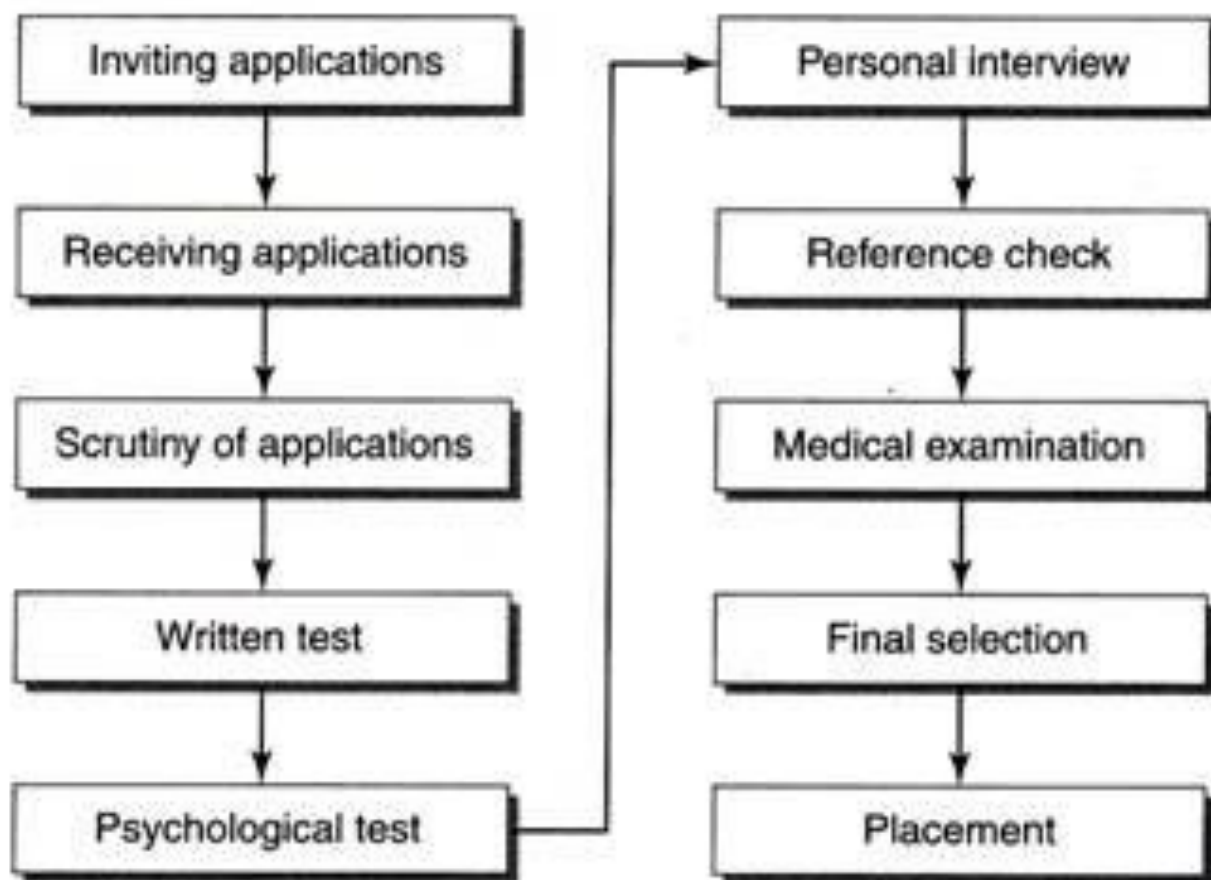
Fig. 5.6 Steps Involved in Selection Procedure

Placement

- Placement is understood as assigning jobs to the selected candidates. Assigning jobs to employees may involve a new job or different job. Thus, placement may include initial assignment of job to new employee, on transfer, promotion or demotion of the present employees. Here placement refers to the assignment of jobs to new employees only.

- Placement involves assigning a specific job to each one of the selected candidates. However, placement is not as simple as it looks. Instead, it involves striking a fit between the requirements of a job and the qualifications of a candidate.

- Pigors and Myers have defined placement as "the determination of the job to which an accepted candidate is to be assigned, and his assignment to that job. It is a matching of what the supervisor has reason to think he can do with the job demands (job requirements), and what he offers in the form of pay rolls, companionship with others, promotional possibilities, etc.".

- The importance of placement lies in the fact that a proper placement of employees reduces employees' turnover, absenteeism, accidents and dissatisfaction, on the one hand, and improves their morale, on the other.

- It has been customary in most of the organisations to put employees initially on a probation period with a view to adjudge their suitability for the job in the organisation. The probation period may vary from organisation to organisation ranging from one to two years. Having found the employees' performance satisfactory during the probation period, their jobs are regularised.

Placement problems for external sources

- Matching the job description with the resources that have come is a major challenge.

- Candidates need to be assessed in every criteria like technical knowledge, aptitude, attitude, soft skills, communication etc. due to which reason sometimes there are not enough candidates to fill the available vacancies.

- Deciding the starting pay package for the particular position is also an issue because this is a point where most of the candidates and companies opinions differ, it needs to be decided based on the type of the job.

- There are lot of opportunities but there is a shortage of talent or required skills because of which the recruiters find it difficult to select enough candidates for the number of jobs available.

- Every employee plays an important role in the performance of the company thus the responsibility of selecting the right person for the right job lies with the recruiter and at the same time the candidate should also be satisfied with the offered job.

- There is a lot for competition for the placement agencies these days as a lot of placement agencies have come up thus companies get lot of applicants which becomes too confusing and chaotic and candidates are confused not knowing where to register themselves.

Placement problems of Internal sources

- Sometimes it is difficult to find the right candidate within the organization and the organization may settle for an employee who possesses a less than ideal mix of competencies.

- If the vacancies are being caused by rapid expansion of the organization there may be an insufficient supply of qualified individuals above the entry level. This may result in people being promoted before they are ready, or not being allowed to stay in a position long enough to learn how to do the job well.

- Infighting, inbreeding, and a shortage of varied perspectives and interests may reduce organizational flexibility and growth, and resistance to change by those who have an interest in maintaining the status quo may present long term problems.

- In times of rapid growth and during transitions, the organization may promote from within into managerial positions, regardless of the qualifications of incumbents. Transition activities and rapid organizational growth often mask managerial deficiencies; it is not until the growth rate slows that the deficiencies become apparent and then the organization finds it difficult to undo the damage.

Module 3
Training, Induction and HRM Strategies

Training

- Training constitutes a basic concept in human resource development. It is concerned with developing a particular skill to a desired standard by instruction and practice.

- Training is a highly useful tool that can bring an employee into a position where they can do their job correctly, effectively, and conscientiously.

- Training is the act of increasing the knowledge and skill of an employee for doing a particular job.

Training

- Dale S. Beach defines training as 'the organized procedure by which people learn knowledge and/or skill for a definite purpose'. Training refers to the teaching and learning activities carried on for the primary purpose of helping members of an organization acquire and apply the knowledge, skills, abilities, and attitudes needed by a particular job and organization.

- **Importance of Training:**

- Training of employees and mangers are absolutely essential in this changing environment. It is an important activity of HRD which helps in improving the competency of employees. Training gives a lot of benefits to the employees such as improvement in efficiency and effectiveness, development of self confidence and assists every one in self management.

- The stability and progress of the organization always depends on the training imparted to the employees. Training becomes mandatory under each and every step of expansion and diversification. Only training can improve the quality and reduce the wastages to the minimum. Training and development is also very essential to adapt according to changing environment.

Need for training

Every organization should provide training to all the employees irrespective of their qualifications and skills.

- **Specifically the need for training arises because of following reasons:**
  - **Environmental changes:** Mechanization, computerization, and automation have resulted in many changes that require trained staff possessing enough skills. The organization should train the employees to enrich them with the latest technology and knowledge.
  - **Organizational complexity:** With modern inventions, technological upgradation, and diversification most of the organizations have become very complex. This has aggravated the problems of coordination. So, in order to cope up with the complexities, training has become mandatory.
  - **Human relations:** Every management has to maintain very good human relations, and this has made training as one of the basic conditions to deal with human problems.
  - **To match employee specifications with the job requirements and organizational needs:** An employee's specification may not exactly suit to the requirements of the job and the organization, irrespective of past experience and skills. There is always a gap between an employee's present specifications and the organization's requirements. For filling this gap training is required.
  - **Change in the job assignment:** Training is also necessary when the existing employee is promoted to the higher level or transferred to another department. Training is also required to equip the old employees with new techniques and technologies.

Benefits of Training

- **Better Performance:**
  - Training improves employee's ability and skills and, in turn, improves employee's performance both in quantity and quality. Better or increased employee performance directly leads to increased operational productivity and increased organisational profits. Improvements in employee performance/productivity in developed countries' lend support to this statement.

- **Improved Quality:**
  - In formal training programmes, the best methods of performing jobs are standardised and then taught to employees. This offers two-fold benefits. Firstly, uniformity in work performance helps improve the quality of work or service. Secondly, better informed, or say, trained workers are less likely to make operational mistakes.

- **Less Supervision:**
  - A trained worker is self-reliant. He knows his work and way to perform it well. Therefore, his work requires less supervision. The supervisor can devote his time on more urgent works.

- **Less Learning Period:**
  - A well planned and systematically organised training programme reduces the time and cost involved in learning. Training enables to avoid waste of time and efforts in learning through trial and error method'.

- **High Morale:**
  - Training not only improves the ability and skill of employees, but also changes employee attitude toward positive. Higher performance, job satisfaction, job security and avenues for internal promotion lead to high morale among the employees. High morale, in turn, makes employees' lore loyal to the organisation.

- **Personal Growth:**
  - Training improves employee's ability, knowledge and skills and, thus, prevents employee's obsolescence. This makes employees growth-oriented.

- **Favourable organisational climate:**
  - The aforesaid advantages combined lead to an improved and favourable organisational climate characterised by better industrial relations and disciplines, reduced resistance to change, reduced absenteeism and turnover of employees, and improved stability of organisation.

- Thus, it may be observed that the importance of training can be imbued with multiplicity of justifications. In fact, a systematic and effective training is an invaluable investment in the human resources of an organisation. Therefore, no organisation can choose whether or not to train employees.

Methods of training

On-the-job training methods

1. Job rotation
2. Coaching
3. Job instruction
4. Committee assignments
5. Internship training

Off-the-job training methods

1. Case study method
2. Incident method
3. Role play
4. In basket method
5. Business games
6. Grid training
7. Lectures
8. Simulation
9. Management education
10. Conferences

Methods of Training

- There are two types of training:
i.   On the job training
ii.   Off the job training
- On-the-job Training (OJT) Methods:
  - This is the most common method of training in which a trainee is placed on a specific job and taught the skills and knowledge necessary to perform it.
- The advantages of OJT are as follows:
- 1. On the job method is a flexible method.
- 2. It is a less expensive method.
- 3. The trainee is highly motivated and encouraged to learn.
- 4. Much arrangement for the training is not required.

On-the-job training methods are as follows:

1.   Job rotation:

This training method involves movement of trainee from one job to another gain knowledge and experience from different job assignments. This method helps the trainee understand the problems of other employees.

2.   Coaching:

Under this method, the trainee is placed under a particular supervisor who functions as a coach in training and provides feedback to the trainee. Sometimes the trainee may not get an opportunity to express his ideas.

3.   Job instructions:

Also known as step-by-step training in which the trainer explains the way of doing the jobs to the trainee and in case of mistakes, corrects the trainee.

4.   Committee assignments:

A group of trainees are asked to solve a given organizational problem by discussing the problem. This helps to improve team work.

5.   Internship training:

Under this method, instructions through theoretical and practical aspects are provided to the trainees. Usually, students from the engineering and commerce colleges receive this type of training for a small stipend.

Off-the-job Methods:

On the job training methods have their own limitations, and in order to have the overall development of employee's off-the-job training can also be imparted. The methods of training which are adopted for the development of employees away from the field of the job are known as off-the-job methods.

The following are some of the off-the-job techniques:

1. Case study method:

Usually case study deals with any problem confronted by a business which can be solved by an employee. The trainee is given an opportunity to analyse the case and come out with all possible solutions. This method can enhance analytic and critical thinking of an employee.

2. Incident method:

Incidents are prepared on the basis of actual situations which happened in different organizations and each employee in the training group is asked to make decisions as if it is a real-life situation. Later on, the entire group discusses the incident and takes decisions related to the incident on the basis of individual and group decisions.

3. Role play:

In this case also a problem situation is simulated asking the employee to assume the role of a particular person in the situation. The participant interacts with other participants assuming different roles. The whole play will be recorded and trainee gets an opportunity to examine their own performance.

4. In-basket method:

The employees are given information about an imaginary company, its activities and products, HR employed and all data related to the firm. The trainee (employee under training) has to make notes, delegate tasks and prepare schedules within a specified time. This can develop situational judgments and quick decision making skills of employees.

5. Business games:

According to this method the trainees are divided into groups and each group has to discuss about various activities and functions of an imaginary organization. They will discuss and decide about various subjects like production, promotion, pricing etc. This gives result in co-operative decision making process.

6. Grid training:

It is a continuous and phased programme lasting for six years. It includes phases of planning development, implementation and evaluation. The grid takes into consideration parameters like concern for people and concern for people.

7. Lectures:

This will be a suitable method when the numbers of trainees are quite large. Lectures can be very much helpful in explaining the concepts and principles very clearly, and face to face interaction is very much possible.

8. Simulation:

Under this method an imaginary situation is created and trainees are asked to act on it. For e.g., assuming the role of a marketing manager solving the marketing problems or creating a new strategy etc.

9. Management education:

At present universities and management institutes gives great emphasis on management education. Many management Institutes provide not only degrees but also hands on experience having collaboration with business concerns.

10. Conferences:

A meeting of several people to discuss any subject is called conference. Each participant contributes by analyzing and discussing various issues related to the topic. Everyone can express their own view point.

Identification of training needs

1. Views of the line manager

2. Performance appraisal

3. Company and departmental plans

4. Views of training manager

5. Analysis of job difficulties

Here our examination is based on McGhee and Thayer's model of training needs identification.

It consists of the following three components:

1. Organisational analysis

2. Task analysis

3. Man analysis

1. Organisational Analysis:

It involves a comprehensive analysis of organisation in terms of its objectives, resources, resource allocation and utilization, culture, environment, and so on. Such an analysis would help identify deficiencies and mechanisms that would be needed to make adjustments in those identified deficiencies.

Generally, organisational analysis includes the following steps:

(i) Analysis of Objectives:

Organisational analysis begins with achieving a clear understanding of both short and long-run goals and also the order of priorities accorded to various objectives. Long-run objectives are broken down into specific objectives and strategies for each of the department/division/unit.

Short-run objectives are constantly in need of adaptation to the changing environment, both external and internal. However, long-run goals, if carefully thought out, are expected to be much less subject to modification. General objectives are also needed to be translated into specific operational targets.

(ii) Resource Utilization Analysis:

Once the organisational objectives are analysed, the next step involved in identifying training needs is to analyse the allocation of human and other physical resources and evaluate their level of utilization in meeting operational objectives.

In order to examine the flow of the inputs and outputs of the total system, various efficiency indices can be developed and used. While using these efficiency indices, focus should be on thecontribution of human resources in meeting the organisational goals.

(iii) Environmental Scanning:

Such an analysis is done to study the organisation as a subsystem operating in a distinct environment consisting of socio-cultural, economic and political components. This enables the organisation to identify the environmental factors which the organisation can influence and the constraints which cannot control.

(iv) Organisational climate analysis:

The organisational climate is a reflection of its members' attitudes towards various aspects of work, supervision, company procedure and so on. These have own bearing on affecting the effectiveness of a training programme in the organisation.

2. Task Analysis:

- This is also called job or operational analysis. This involves a detailed analysis of various components of a job, its various operations, and the conditions under which it has to be performed. Task analysis will indicate the skills and training required to perform the job at the required standard. For almost all jobs have an expected standard of performance.

- If these standards for the performance of the job are known, then it is possible to know whether the job is being performed at the desired level of output i.e., standard or not. Knowledge of task as gained through task analysis will help in understanding what skills, knowledge and attitudes an employee should have to fulfill the expected performance.

3. Man Analysis:

- This is the third component in identifying employee training needs. The focus of man analysis as on the individual employee, his skills, abilities, knowledge and attitude. Of the three analyses, this is more complex one because of difficulties in assessing human contribution.

- The reason is that the available measures to study man (employee) are much less objective and suffer from many individual variations. Yet, data on the relevant aspects such as production, meeting deadlines, quality of performance, personal data such as work behaviour, absenteeism, late-coming etc., can be collected through records, observations, meeting with employee and others who work with him.

Through these, it is possible to get an indication of the training requirements of an employee. According to Dayal, a detailed study of jobs and skill analysis is absolutely necessary. The training accordingly imparted would help the employee adjust to their job requirements.

Induction

- A new entrant joins an organisation as a stranger to his co-workers, job and organisation. This causes the initial anxiety for the new entrant. It culminates at times to surprise resignation by the new employee.

- Hence, arrangements need to be made to make the integration of the new employee into the organisation as smooth and as free of anxiety as possible. Induction helps do so.

- Induction is welcoming a new employee to the organisation. In other words, it is a well orchestrated event to socialise the new entrant with the people and the work environment in a particular organization.

- According to Michael Armstrong "Induction is the process of receiving and welcoming an employee when he first joins a company and giving him basic information he needs to settle down quickly and happily and start work".

Objectives of Induction

- When a new entrant joins an organisation, he/she is an utter stranger to the co-workers, workplace and work environment. As such, he/she may feel insecure, shy and nervous. The first few days may be all anxious and disturbing ones for the new entrant.

- Particularly when a new entrant comes from rural area, he/she finds himself/herself completely at sea in an industrial town and city. Then, induction helps reduce such anxieties and dispels doubts and nervousness from the mind of the new entrant.

- **Therefore, an induction programme is designed to achieve the following objectives:**

1. To reduce the initial anxiety all new entrants feel when they join a new job in a new organisation.

2. To familiarize the new employees with the job, people, work-place, work environment and the organisation.

3. To facilitate outsider – insider transition in an integrated manner.

4. To reduce exploitation by the unscrupulous co-workers.

5. To reduce the cultural shock faced in the new organisation.

Benefits of Induction

A formal induction programme may provide the following benefits to the new comer and the organisation:

1. A well-designed induction programme reduces anxiety, nervousness, and absenteeism and employee turnover.

2. Induction helps minimize the reality or cultural shock new employees undergo on joining a new organisation.

3. Effective induction also helps integrate the new employees into the organisation and fosters the feeling of belongingness to the new organisation.

4. Induction also binds the newcomer and the present employees in a team.

- B.P. Billimoria has appreciated the benefits of induction in these words:

"Induction has a greater significance in a developing country like India, where the percentage of illiteracy is very high. The worker finds himself completely at sea when by force of circumstances he has to shift from rural surroundings into an industrial environment. It is no use trying to push a handbook of certified rules and regulations into his hands and expecting him to turn out into a loyal and efficient employee. He needs a short and simple induction conducted by someone who speaks his own language. This will go a long way in reducing turnover and, above all, in preventing a worker from the likelihood of falling a prey to subversive elements which thrive on creating labour unrest by misrepresenting employees to illiterate employees".

Why Induction?

Reasons Induction Programs are Essential

#1 - Workplace Culture

New employees need to align and be assimilated into your workplace culture. They need to understand your values and the behaviours that drive those values.

#2 - Compliance

Educate employees about your company policies on safety, bullying, sexual harassment, and other critical policies. This will help to protect the business by preventing incidents and better defending any claim.

#3 - Retention

Inductions programs help employees to adjust to their new role, make a smoother transition into the business and assimilate into the company culture. This ultimately helps retention of employees and saves on recruitment costs and helps employees to feel supported.

#4 - Productivity

Employees learn the right way of doing things from the beginning, instead of being shown shortcuts or the other

#5 - Saves Time & Money

Saves your business time and money in the long term as a well-developed induction program can be easily replicated for each new employee (great systems available to automate) and added to with new information when necessary.

And a bonus #6 is...Company Reputation

Inductions help to establish a professional impression of the business, including the way you deliver customer service.

HRM Strategies

HRM strategies, also known as Human Resource Management strategies, are your organization's plans for managing people, culture, structure, and training and development, and for determining how people fit into your organization's future growth.

- **People**
- One of the first aspects of your HRM strategy is determining the type of person who is needed to work in the organization. This is not just a matter of personality but also of the personalities and work styles that are needed to help your organization achieve its overall business strategy. Do the people in your organization need to be numbers-oriented, outgoing and focused on sales, or a combination of both? Consulting firms such as Bernard Hodes Group or human resources management software such as Oracle's PeopleSoft can help your organization create and manage an effective "people framework."
- **Programs**
- Your organization's programs include several elements. The first is attracting the kinds of people you've decided are the right fit. How will the organization advertise positions and recruit the talent you've decided you need? After you've made the right hires, you have to look at how to train people to do their jobs effectively. In addition to training, your organization must decide how to retain employees after hiring and initial training. Your organization should also determine if there will be a bonus structure, a rewards program or further training that will lead to promotion in the future.
- **Culture**
- A large part of your HRM strategy relates to the overall culture of the organization. You should take the time to determine the leadership and management style of the organization. Is it autocratic, "open door," proactive or dictatorial? Your organization's senior management should decide on a closely related range of styles in order for a culture to "trickle down." On the other hand, what beliefs, values or missions does the organization want to achieve? This could be related to customer service, beating the competition or rising to the top of the market itself.

- One of the best ways to begin thinking about your organization's culture is to research how other organizations and human resources professionals have created a culture. You can start your research on the Web via Workforce Management or the Society for Human Resources Management.

- **Structure**

- HRM strategy also extends to your organization's structure. You must decide what jobs will carry out which functions. Along with this, you should determine which jobs go with which departments--and who is going to manage those departments. A human resources consulting firm can help you with this structure or you can learn about job descriptions and job evaluation at HR.com.

- **Development**

- One of the final pieces of your HRM strategy is the development of the organization. You've already decided how to train the people you bring in, but what are the plans for training them in the long run? Will you offer leadership training as part of the overall development plan? Will you give employees the opportunity to take courses that will allow them to apply for promotion? Does the organization plan to publish "learning plans" that allow an employee to map out his future career, even if it isn't in the department in which he started out? Talent and learning management system providers like GeoLearning or Learn.com can help you map out development plans, see sample learning strategies, and decide how to manage training within your organization.

What Is Human Capital?

- Human capital is an intangible asset or quality not listed on a company's balance sheet. It can be classified as the economic value of a worker's experience and skills. This includes assets like education, training, intelligence, skills, health, and other things employers value such as loyalty and punctuality.

- The concept of human capital recognizes that not all labor is equal. But employers can improve the quality of that capital by investing in employees—the education, experience, and abilities of employees all have economic value for employers and for the economy as a whole.

- Human capital is important because it is perceived to increase productivity, and therefore, profitability. So the more a company invests in its employees (i.e. in their education and training), the more productive and profitable it could be.

Understanding Human Capital

- An organization is often said to only be as good as its people. Directors, employees, and leaders who make up an organization's human capital are critical to its success.

- Human capital is typically managed by an organization's human resources (HR) department. This department oversees workforce acquisition, management, and optimization. Its other directives include workforce planning and strategy, recruitment, employee training and development, and reporting and analytics.

- Human capital tends to migrate, especially in global economies. That's why there is often a shift from developing places or rural areas to more developed and urban areas. Some economists have dubbed this a brain drain—making poorer places poorer and richer places richer.

Human Capital Strategy

- A human capital strategy is a strategy that outlines the human resources and skills needed to allow an organization to achieve its goals. It is based on workforce planning and is supported by talent management systems.

- Without a team of people with the necessary skills to execute your business strategy, achieving your goals will never be more than a pipe dream.

- The team you need will differ from anyone else's, but without giving your human capital strategy sufficient thought, your carefully laid plans will fail.

- **Plan Ahead**

- No business should be dependent on the efforts of one person, even if that person is a key staff member or manager. Life is unpredictable, and there's no knowing what tomorrow will bring. That's why succession planning also forms an important part of your human capital strategy. If your business is likely to be crippled by the loss or absence of certain key staff (including you), your human capital strategy needs urgent attention.

- Then there's also the matter of general HR planning. Your human resource strategy closely follows your business strategy, so it provides a framework for the present and plans ahead for milestones in your business' development. And of course, there's normal attrition, when people move on and you wind up with a vacancy to fill.

- **Recruit and Retain**

- Recruit new people, but if you have staff with high potential who are a good fit for your business' culture, training may be a better solution. After all, they already know all the inner workings of the company.

- Retaining staff is important for continuity, and it saves you the cost of new employee learning curves. Keeping staff members who know the business well saves you money. Retaining staff means boosting employee engagement so that your employees find their jobs rewarding and meaningful. If your employees find personal satisfaction when they work for you, you won't just get to keep staff. You'll find them striving harder and producing better results because they care about the business and where it's headed. However, as you can imagine, reaching this point requires a clear plan of action and has its costs.

- **Your Human Capital Strategy Sets Your HR Investment Priorities**

- Just paying salaries and wages already requires a substantial budget, but if your people aren't growing, your business won't grow. The more versatile and skilled your employees are, the less vulnerable your business is to the loss of the occasional staff member. In addition, employees are motivated by opportunities for personal growth, and motivated employees do better work, are more reliable, more likely to stick with your company, and have the capacity to improve your profits as a result.

- "Training for the sake of training" is a dead-end street, but a surprisingly large number of companies make this mistake. With your human capital strategy to guide you, it will be easier to see where your business should be investing its training and employee development bucks in a way that will benefit, not only your employees but your business too.

- **How to Formulate a Human Capital Strategy**
- **Identify the Goals Your Human Capital is to be Aligned With**
- Because the human capital strategy springs from the overall business strategy, the first step in formulating it is to take an overall look at the vision, mission, and values of the company. Now that you have formulated or revisited these and have ensured that they really reflect what you want to achieve, it's time to start looking at the processes and people that will make it happen.
- **What are the Processes or Tasks That Directly or Indirectly Contribute to Business Goals?**
- Begin with the processes, and if you are re-engineering business systems, try to start with a blank slate. How do the processes you have identified within your business work towards your business goals? Which are core processes and which are vital support processes without which the core processes will be unable to function? Are these processes as efficient as they could be?
- **What Key Performance Areas and Indicators Would be Used to Measure Performance?**
- Now that you know the "what," it's time to look at the "how." What would key performance indicators show that each department, and each person in each department or process area, is working towards your business strategy? At this stage of the process, you should not be thinking about existing employees and their skill-sets, but remain focused on the tasks themselves. What would be the ideal case scenario? What skills and traits should employees performing each role have?
- **Who Will Fill the Posts Effectively?**
- You now have a profile indicating what type of person would fit into each role, and you're ready to either begin recruiting or assigning existing staff to positions. If you are working with existing employees, you may find that there are skills gaps. This is no reason for despair. It is an opportunity to start devising the recruitment strategies or individual career path plans that will help you to reach your business goals through your human resources.
- All strategies begin with a current situation and plot a course towards the desired situation with milestones to measure progress along the way. A human capital strategy is no different. Set SMART goals, track progress and take corrective action periodically.

Emotional Quotient

- The ability to understand the behavioral patterns of candidates is essential to the human resources department. What has been recently discovered is that communication—the key feature in relationship theories—is connected to Emotional Intelligence, a predictor that can be measured by what is termed as EQ or Emotional Quotient.

  Emotionally intelligent employees are able to form strong relationships because they can communicate effectively and are able to cope well with stressful situations in the workplace. EQ can also be strengthened and be developed over time, by implementing EQ assessments. HR managers ought to use and integrate these instruments into their standards for selection and development.

  Planning the succession of senior leadership is critical to an organization's success, and selecting the right candidate to hire or promote becomes simpler. Furthermore, EQ helps to identify individual specific strengths and weaknesses so that training and coaching can be designed to develop skills that contribute to future leadership.

- **Hiring Candidates with the Right Skills**

Efficiency in day-to-day duties is one of the main tasks of employees. However, this includes the employee's ability to listen, build a rapport with a customer, engage in a dialogue and solve problems in the workplace. The ability to handle work pressures, are areas where candidates need to excel and not get hijacked due to stressful emotional situations. Issues of self-control, self-esteem and self-motivation are areas linked to the emotional quotient. Identifying and growing these effectiveness skills is essential for performance.

When employees, management and managers can be profiled for EQ it makes it easier for human resources to determine, coach and develop "star performers."

Are You Leveraging the Emotion Quotient in Your Organization?

The Emotional Intelligence factor is a good return on investment when it comes to the selection and retention of employees. Profiling candidates through EQ testing helps create a corporate culture imbibed with an atmosphere of teamwork and leadership.

Organizations cannot afford to have customers (both internal and external) complain about inadequate support due to the indifferent attitude of employees. Irate customers too cannot be dismissed without a polite word and an attempt to solve their issues. In short, employees with a good EQ and the right coaching will be able to contribute significantly to the success and profits of the organization.

Mentoring

- A harmonious set of values between mentor and mentee. One in six mentoring pairs end prematurely because that alignment of values and trust fails to exist – for whatever reason.

- The mentoring relationship needs to be a safe haven of trust – especially for the mentee, who needs to expose their innermost fears and concerns to their mentor, in order to make material progress in overcoming them. You need to know whether you are getting into the water with a dolphin, or a white pointer.

Key requirements

- Firstly, a level of discipline in setting objectives, regular meetings and the mentee doing homework in between times – such as reading a relevant publication the mentor has given them.

- The strength of a mentoring relationship thereafter depends on the understanding and practice of the roles for each party. A good mentee:

- Patiently establishes trust with their mentor;

- Persistently probes the mentor for their real life experiences which can throw light and insights on the mentee's own challenges;

- Respects the mentor's time and commitment pressures and is flexible around meeting times; and is prepared to be open and honest on who they are and what they are trying to achieve.

- A great mentor will usually:
  - Work hard to present themselves as an equal to the mentee – ie stripping themselves of power body language, dress and behaviour;
  - Demonstrates a genuine concern and interest in the mentee;
  - Be an 80/20 listener /talker – and not the reverse;
  - Ask probing and insightful questions;
  - Pose critical learnings to the mentees primarily through powerful stories that parallel the mentee's challenges; and
  - Know when to let go, and when the mentee has reached their own moments of truth.
  - Mentoring discussions are mostly about complex interpersonal relationships, or 'difficult people' we meet in work and life. Other common topics relate to strategic challenges, moral and ethical dilemmas, or understanding and using power structures. No rocket science here – these are issues we all face each day on the job.

Purpose of a mentorship

- The purpose of a mentorship program is to match up a manager or other experienced employee with someone new to the company or position. The mentor takes a mentee, or protégé, under her wing and helps groom his professional career. A mentor program can be formal, as in the case of assigning a mentor to a protégé and following specific guidelines for the program, or it can be informal, such as to encourage people to volunteer their services or seek out a mentor and meet on their own terms. A successful mentoring program will not only help retain employees, it will assist your training efforts and help boost employee morale.

  The meetings are not as structured and regular than in coaching. Executive mentoring is generally done by someone inside the company. The executive can learn a lot from mentoring. By dealing with diverse mentee's, the executive is given the chance to grow professionally by developing management skills and learning how to work with people with diverse background, culture, and language and personality types.

  Executives also have mentors. In cases where the executive is new to the organization, a senior executive could be assigned as a mentor to assist the new executive settled into his role. Mentoring is one of the important methods for preparing them to be future executives. This method allows the mentor to determine what is required to improve mentee's performance. Once the mentor identifies the problem, weakness, and the area that needs to be worked upon, the mentor can advise relevant training. The mentor can also provide opportunities to work on special processes and projects that require use of proficiency.
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Module 4
Promotion and Transfer

Promotion

- Promotion is vertical movement of an employee within the organisation. In other words, promotion refers to the upward movement of an employee from one job to another higher one, with increase in salary, status and responsibilities.

- Promotion may be temporary or permanent, depending upon the needs of the organisation.

- There can be 'dry promotion' also where an employee is assigned to a higher level job without increase in pay.

- Promotion has an in-built motivational value as it elevates the authority, power and status of an employee within an organisation. It is considered good personnel policy to fill vacancies in a higher job through promotions from within because such promotions provide an inducement and motivation to the employees and also remove feelings of stagnation-and frustration.

Types of Promotion

- **Promotion given to employees in an organisation can be classified into three types:**
- **1. Horizontal promotion:**
- When an employee is shifted in the same category, it is called 'horizontal promotion'. A junior clerk promoted to senior clerk is such an example. It is important to note that such promotion may take place when an employee shifts within the same department, from one department to other or from one plant to another plant.
- **2. Vertical Promotion:**
- This is the kind of promotion when an employee is promoted from a lower category to higher category involving increase in salary, status, authority and responsibility. Generally, promotion means 'vertical promotion'.
- **3. Dry Promotion:**
- When promotion is made without increase in salary, it is called 'dry promotion'. For example, a lower level manager is promoted to senior level manager without increase in salary or pay. Such promotion is made either there is resource/fund crunch in the organisation or some employees hanker more for status or authority than money.

Purpose of Promotion

1. To recognize an employee's skill and knowledge and utilize it to improve the organisational effectiveness.

2. To reward and motivate employees to higher productivity.

3. To develop competitive spirit and inculcate the zeal in the employees to acquire skill, knowledge etc.

4. To promote employees satisfaction and boost their morale.

5. To build loyalty among the employees toward organisation.

6. To promote good human relations.

7. To increase sense of belongingness.

8. To retain skilled and talented people.

9. To attract trained, competent and hard working people.

10. To impress the other employees that opportunities are available to them too if they also perform well.

Promotion Policy

- **The following characteristics make a promotion policy as sound and good policy:**
- 1. It must provide equal opportunities for promotion across the jobs, departments, and regions.
- 2. It must be applied uniformly to all employees irrespective of their background.
- 3. It must be fair and impartial.
- 4. The basis of promotion must be clearly specified and made known to the employees.
- 5. It must be correlated with career planning. Both quick (bunching) and delayed promotions must be avoided as these ultimately adversely affect the organisational effectiveness.
- 6. Appropriate authority must be entrusted with the task of making final decision.
- 7. Promotion must be made on trial basis. The progress of the employee must be monitored. In case, the promoted employee does not make the required progress, provision must be there in the promotion policy to revert him/her to the former post.
- 8. The policy must be good blending of promotions made from both inside and outside the organisation.

Bases of Promotion

- Promotion is made either on the basis of **seniority** or on the basis of **merit** or both. Normally, management of any organization prefers merit. But the trade unions and workers favor seniority. Seniority means the length of service put in by an employee in the working organization Merit, on the other hand, means the qualification which an employee possess.

- **Advantages of Promotion based on Seniority**
- 1. Seniority is an objective basis for promotion and so each employee is sure of getting promotion.
- 2. It develops a sense of loyalty among the employees and the morale of the employees will be higher.
- 3. It limits the scope for favoritism, casteism, nepotism, etc.
- 4. It avoids disputes among employees regarding promotion.
- 5. It encourages the employees to work hard and efficiently.
- 6. If seniority is accepted as the basis for promotion, management can't abuse their privilege of selecting the best man

- **Disadvantages of Seniority based promotion**
- 1. Since the employees are sure of getting promotion, it makes them lethargic in performing their duties.
- 2. New brilliant employees will be left with no motivating factor for improving their performance, if eligibility for better jobs depends just upon their length of service. This leads to greater labour turnover. As a result, overall production of the concern will be very much affected.
- 3. Talented and average workers are considered alike. Promotion is made by giving weightage only to seniority, and efficiency of the workers is not at all considered.

- **Advantages of Promotion based on Merit**
- 1. Since efficiency and talents are rewarded, it encourages the employees to increase their knowledge in maintaining a high level of productivity.
- 2. It helps in putting the most productive and competent person for specialized jobs.
- 3. New employees are also encouraged to improve their performance as promotion is made on the basis of competence, capability and efficiency.
- 4. It results in overall improvement of the organization.

- **Disadvantages of Merit based promotion**
- 1. It may result in partiality, nepotism, favoritism, casteism, etc., by the management.
- 2. Senior employees in the organization may become unsatisfied and they may indulge in certain activities that may lead to industrial unrest, strikes, lockouts, etc.
- 3. Merit as a basis of promotion is normally opposed by workers and their representatives. They give more importance to the seniority factor.
- 4. Promotion of employees on the basis of merit requires proper method of performance appraisal or merit rating. But, normally formulation of correct method of performance appraisal may not be done.

Transfer

- A transfer refers to lateral movement of employees within the same grade, from one job to another. According to Flippo "a transfer is a change in the job (accompanied by a change in the place of the job) of an employee without a change in responsibilities or remuneration".

- Transfer differs from promotion in the sense that the latter involves a change of job involving increase in salary, authority, status and responsibility, while all these remain unchanged /stagnant in the case of former. Also, transfers are frequent and regular whereas promotions are infrequent, if not irregular.

- Transfer may be initiated either by the company or the employee. In practice, the company may transfer the employee to the place where he/she can prove more useful and effective. Similarly, employee may initiate transfer to a location where he/she is likely to enjoy greater satisfaction.

- Transfer could be permanent, temporary or ad hoc to meet emergencies. Usually, permanent transfers are made due to changes in work load or death, retirement, resignation, etc. of some employee. As regards temporary transfer, it arises mainly due to ill health, absenteeism, etc. of some employee.

Need and Purpose of Transfer

- **The need for making transfer is left for various reasons as listed below:**
- **1. To Meet Organisational Needs:**
- Changes in technology, volume of production, production schedule, product line, quality of products, organisational structure, etc. necessitate an organisation to reassign jobs among employees so that right employee is placed on the right job.
- **2. To Satisfy Employee Needs:**
- Employees may request for transfer in order to satisfy their desire to work in a particular department, place and under some superior. Personal problems of employee like health, family circumstances, and interpersonal conflicts may also necessitate transfer.
- **3. To Better Utilize Employee:**
- When an employee is not performing satisfactorily on one job and management thinks that his/her capabilities would be utilized better elsewhere, he/she may be transferred to other job.
- **4. To Make the Employee More Versatile:**
- In some organisations like banks, employees after working on a job for a specified period are transferred to other job with a view to widen their knowledge and skill and also reduce monotony. This is also called 'job rotation.

- **5. To Adjust the Workforce:**
- Work force can be transferred from the departments / plants where there is less work to the departments/plants where more work is.
- **6. To Provide Relief:**
- Transfers may be made to give relief to the employees who are overburdened or doing hazardous work for long period.
- **7. To Punish Employee**
- Management may use transfer as an instrument to penalize employees who are indulged in undesirable activities. As a disciplinary action, employees are transferred to remote and far-flung areas.

Types of Transfer

- **1. Production Transfer:**
- Such transfers are made when labour requirements in one division or branch is declining. The surplus employees from such division are transferred to those divisions or branches where there is shortage of employees. Such transfers help avoid lay off and stabilize employment.
- **2. Remedial Transfer:**
- Such transfers are affected to correct the wrong selection and placement of employees. A wrongly placed employee is transferred to more suitable job. Such transfers protect the interest of the employee.
- **3. Replacement Transfer:**
- Replacement transfers are similar to production transfers in their inherent, i.e. to avoid layoffs. Replacement transfers are affected when labour requirements are declining and are designed to replace a new employee by an employee who has been in the organisation for a sufficiently long time. The purpose of these transfers is to retain long service employees in the organisation and also give them some relief from the heavy pressure of work.

- **4. Versatility Transfer:**
- These transfers are also known as 'job rotation' In such transfers, employees are made move from one job to another to gain varied and broader experience of work. It benefits both the employee and organisation. It reduces boredom and monotony and gives job enrichment to the employee. Also, employees' versatility can be utilized by the organisation as and when needed.
- **5. Shift Transfers:**
- These transfers are affected in the organisations where work progresses for 24 hours or in shifts. Employees are transferred from one shift to another usually on the basis of mutual understanding and convenience.
- **6. Penalty Transfer:**
- Management may use transfer as an instrument to penalize employees' involved in undesirable activities in the organisation. Employee transfer from one's place of convenience to a far-flung and remote area is considered as a penalty to the employee.

Demotion

- Demotion is a shift to a position in which responsibilities are decreased. Promotion is, in a sense, an increase in rank and demotion is decrease in rank.

- Demotion is just opposite to promotion. In demotion, the employee is shifted to a job lower in status, grade and responsibilities. "Demotion refers to the lowering down of the status, salary and responsibilities of an employee."

- When an employee is demoted, his pride suffers a more severe jolt than it does when he is superseded by his junior. Some managers hesitate to demote a man. They prefer to discharge him rather than to demote him on the lower job because he will not accept the lower job and will turn to be a disgruntled employee and his position will not be good for better industrial relations.

Causes of Demotion

1. Inadequacy on the part of the employees in terms of job performance, attitude and capability. It happens when an employee finds it difficult to meet job requirement standards, following his promotion

2. Demotion may result from organisational staff reductions. Due to diverse business conditions, organisations may decide to lay off some and downgrade some jobs.

3. Demotions may be used as disciplinary tools against errant employees.

4. If there is a mistake in staffing i.e., a person is promoted wrongly.

5. When, because of a change in technology, methods and practices, old hands are unable to adjust or when employees because of ill health or personal reasons, cannot do their job properly.

Module 5
Performance Appraisal and Compensation

Performance Appraisal

- A performance appraisal is a systematic and objective method of judging the quality of an employee in performing his job and a part of guiding and managing career development.

- It is the process to obtain, analyze, and record the information about the relative worth of an employee to the organization.

- Performance appraisal is an analysis of an employee's recent successes and failures, personal strengths and weaknesses, and his/her suitability for promotion or further training.

- It is also the judgment of an employee's performance in a job based on considerations other than productivity alone.

- Performance appraisal is done periodically, but on a continuous basis. It is a part of a larger performance management system and includes both managerial and non-managerial employees in its scope.

Objectives of Performance Appraisal

a. To provide employees feedback on their performance.

b. Identify employee training needs.

c. Document criteria used to allocate organisational rewards.

d. A basis for decisions relating to salary increases, promotions, disciplinary actions, bonuses, etc.

e. Provide the opportunity for organisational diagnosis and development.

f. Facilitate communication between employee and employer.

g. Validate selection techniques and human resource policies to meet regulatory requirements.

h. To improve performance through counseling, coaching and development.

i. To motivate employees through recognition and support.

360 degree Appraisal

- 360-degree feedback or multi-source feedback is an appraisal or performance assessment tool that incorporates feedback from all who observe and are affected by the performance of a candidate.

- Usually, this tool is used for employees at middle and senior level. The complexity of their roles enables the organisation to generate sufficient data from all stakeholders for a meaningful assessment.

- Most organisations that focus on employee development use the 360-degree tool to assess performance and potential of staff and enable the employees to map their career path based on the feedback. Organisations take 360-degree feedback about an employee before taking a major decision about the professional's career

- The results from 360-degree feedback are often used by the person receiving the feedback to plan training and development. Results are also used by some organizations in making administrative decisions, such as pay or promotion. When this is the case, the 360 assessment is for evaluation purposes, and is sometimes called a "360-degree review."

- 360 degree respondents for an employee can be his/her peers, managers (i.e. superior), subordinates, team members, customers, suppliers/ vendors - anyone who comes into contact with the employee and can provide valuable insights and information or feedback regarding the "on-the-job" performance of the employee.**360 degree appraisal has four integral components**:

  - Self appraisal
  - Superior's appraisal
  - Subordinate's appraisal
  - Peer appraisal.

Table 28.4 : Methods of Performance Appraisal

Traditional Methods	Modern Methods
1. Ranking method	1. Management by Objectives (MBO)
2. Paired comparison	2. Behaviourally anchored rating scales
3. Grading	3. Assessment centres
4. Forced distribution method	4. 360-degree appraisal
5. Forced choice method	5. Cost accounting method
6. Checklist method	
7. Critical incidents method	
8. Graphic scale method	
9. Essay method	
10. Field review method	
11. Confidential report	

- **Traditional Methods:**
- **Ranking Method:**
  - It is the oldest and simplest formal systematic method of performance appraisal in which employee is compared with all others for the purpose of placing order of worth. The employees are ranked from the highest to the lowest or from the best to the worst.
  - In doing this the employee who is the highest on the characteristic being measured and also the one who is L lowest, are indicated. Then, the next highest and the next lowest between next highest and lowest until all the employees to be rated have been ranked. Thus, if there are ten employees to be appraised, there will be ten ranks from 1 to 10.
- **Paired Comparison:**
  - In this method, each employee is compared with other employees on one- on one basis, usually based on one trait only. The rater is provided with a bunch of slips each coining pair of names, the rater puts a tick mark against the employee whom he insiders the better of the two. The number of times this employee is compared as better with others determines his or her final ranking.

- **Grading Method:**
  - In this method, certain categories of worth are established in advance and carefully defined. There can be three categories established for employees: outstanding, satisfactory and unsatisfactory. There can be more than three grades. Employee performance is compared with grade definitions. The employee is, then, allocated to the grade that best describes his or her performance.
- **Forced Distribution Method:**
  - This method was evolved by Tiffen to eliminate the central tendency of rating most of the employees at a higher end of the scale. The method assumes that employees' performance level confirms to a normal statistical distribution i.e., 10,20,40,20 and 10 per cent. This is useful for rating a large number of employees' job performance and promo ability. It tends to eliminate or reduce bias.
- **Forced-Choice Method:**
  - The forced-choice method is developed by J. P. Guilford. It contains a series of groups of statements, and rater rates how effectively a statement describes each individual being evaluated. Common method of forced-choice method contains two statements, both positive and negative.

- **Check-List Method:**
  - The basic purpose of utilizing check-list method is to ease the evaluation burden upon the rater. In this method, a series of statements, i.e., questions with their answers in 'yes' or 'no' are prepared by the HR department. The check-list is, then, presented to the rater to tick appropriate answers relevant to the appraisee. Each question carries a weight-age in relationship to their importance.
- **Critical Incidents Method:**
  - In this method, the rater focuses his or her attention on those key or critical behaviours that make the difference between performing a job in a noteworthy manner (effectively or ineffectively).
  - There are three steps involved in appraising employees using this method.First, a list of noteworthy (good or bad) on-the-job behaviour of specific incidents is prepared. Second, a group of experts then assigns weightage or score to these incidents, depending upon their degree of desirability to perform a job. Third, finally a check-list indicating incidents that describe workers as "good" or "bad" is constructed. Then, the check-list is given to the rater for evaluating the workers.

Fig. 28.2: Sample Check-list for Appraising University Teachers

	Yes	No
1. Is regular on the job?	————	————
2. Does maintain discipline well?	————	————
3. Does show consistent behaviour to all students?	————	————
4. Is interested in (teaching) job?	————	————
5. Does ever make mistakes?	————	————
6. Does show favouritism to particular students?	————	————
7. Is willing to help colleagues?	————	————

- **Graphic Rating Scale Method:**
  - The graphic rating scale is one of the most popular and simplest techniques for appraising performance. It is also known as linear rating scale. In this method, the printed appraisal form is used to appraise each employee.
  - This method is good for measuring various job behaviours of an employee. However, it is also subjected to rater's bias while rating employee's behaviour at job. Occurrence of ambiguity in design-mg the graphic scale results in bias in appraising employee's performance.

Fig. 28.3: Sample of Graphic Rating Scale Items and Format

Performance Factor	Performance Rating				
Quality of work is the accuracy, skill, and completeness of work.	☐ Consistently unsatisfactory	☐ Occasionally unsatisfactory	☐ Consistently satisfactory	☐ Sometimes superior	☐ Consistently superior
Quantity of work is the volume of work done in a normal workday.	☐ Consistently unsatisfactory	☐ Consistently unsatisfactory	☐ Consistently satisfactory	☐ Sometimes superior	☐ Consistently superior

- **Essay Method:**
  - Essay method is the simplest one among various appraisal methods available. In this method, the rater writes a narrative description on an employee's strengths, weaknesses, past performance, potential and suggestions for improvement. Its positive point is that it is simple in use. It does not require complex formats and extensive/specific training to complete it.

- **Field Review Method:**
  - When there is a reason to suspect rater's biasedness or his or her rating appears to be quite higher than others, these are neutralised with the help of a review process. The review process is usually conducted by the personnel officer in the HR department.
  - **The review process involves the following activities:**
  - (a) Identify areas of inter-rater disagreement.
  - (b) Help the group arrive at a consensus.
  - (c) Ensure that each rater conceives of the standard similarity.
  - However, the process is a time-consuming one. The supervisors generally resent what they consider the staff interference. Hence, the method is not widely used.

- **Confidential Report:**
  - It is the traditional way of appraising employees mainly in the Government Departments. Evaluation is made by the immediate boss or supervisor for giving effect to promotion and transfer. Usually a structured format is devised to collect information on employee's strength weakness, intelligence, attitude, character, attendance, discipline, etc. report.

Modern Methods:

- Management by Objectives (MBO):
  - The concept of MBO as was conceived by Drucker, can be described as a "process whereby the superior and subordinate managers of an organization jointly identify its common goals, define each individual's major areas of responsibility in terms of results expected of him and use these measures as guides for operating the unit and assessing the contribution of each its members".
  - An MBO programme consists of four main steps: goal setting, performance standard, comparison, and periodic review. In goal-setting, goals are set which each individual has to attain. The superior and subordinate jointly establish these goals. The goals refer to the desired outcome to be achieved by each individual employee.
  - In performance standards, the standards are set for the employees as per the previously arranged time period. When the employees start performing their jobs, they come to know what is to be done, what has been done, and what remains to be done.
  - In the third step the actual level of goals attained are compared with the goals agreed upon. This enables the evaluator to find out the reasons variation between the actual and standard performance of the employees. Such a comparison helps devise training needs for increasing employees' performance it can also explore the conditions having their bearings on employees' performance but over which the employees have no control.
  - Finally, in the periodic review step, corrective measure is initiated when actual performance deviates from the standard established in the first step-goal-setting stage. Consistent with the MBO philosophy periodic progress reviews are conducted in a constructive rather than punitive manner.
  - The purpose of conducting reviews is not to degrade the performer but to aid in his/her future performance.

CONFIDENTIAL PA Form: 2B	NAME	EMP. P. S. No.	CADRE	GROUP	DEPT.

EXECUTIVES & SUPERVISORS

LARSEN & TOUBRO LIMITED
HUMAN RESOURCE DEVELOPMENT—PERFORMANCE APPRAISAL SYSTEM
PERFORMANCE ANALYSIS AND REVIEW
APRIL ... TO MARCH .....

	NAME	DATE	SIGNATURE
EMPLOYEE			
IMMEDIATE. SUPERIOR			
NEXT SUPERIOR 1. / 2.			
PERSONNEL/HRD DEPT.			

A PERFORMANCE REVIEW AGAINST OBJECTIVES | **B1 By Immediate Superior**

A1 By Employee

AGREED OBJECTIVES & TARGETS (Not more than five)	RESULTS ACHIEVED	Outstanding	V. Good	Good	Adequate	Inadequate
1.						
2.						
3.						
4.						
5.						

A2 SELF REVIEW (By Employee)

SIGNIFICANT CONTRIBUTORS (JOB OR PROFESSION RELATED–NOT COVERED ABOVE)

IMPORTANT FACTORS FACILITATING PERFORMANCE
IMPORTANT FACTORS HINDERING PERFORMANCE

B2 PERFORMANCE AGAINST OBJECTIVES (By Immediate Superior)
OUTSTANDING   V. GOOD   GOOD   ADEQUATE   INADEQUATE (Contd..

C Appraisal of Critical Attributes (By Immediate Superior)

	C1 Critical Attributes		OUTSTANDING	V.GOOD	GOOD	ADEQUATE	INADEQUATE
1.	INNOVATIVENESS	Ability to think new and better ways of doing things that result in introduction of new ideas or improvements of the systems and operations.					
2.	INITIATIVE	Ability to determine and initiate actions that result in improved handling of jobs, without waiting to be told.					
3.	INTERPERSONAL & TEAM RELATIONSHIP	Ability to interact effectively with people at all levels to gain their confidence and respect and work in a collaborative and participative manner.					
4.	RESOURCEFULNESS	Ability to muster resources to achieve desired results and devise ways and means of solving problems in difficult situations.					
5.	COMMUNICATION SKILLS	Ability to convey thoughts and feelings clearly both through oral as well as written expressions for better understanding.					
	Specific role related attributes (Identified in the beginning of the year)						
6.							
7.							

C2 Areas of Strengths & Improvements (By Immediate Superior)

MAJOR STRENGTHS

AREAS OF IMPROVEMENTS

C3 Potential Areas for Growth (By Immediate Superior)

D Recommendations for Training & Development (By Immediate Superior)

D1 IN-COMPANY TRAINING PROGRAMMES

Description	Code	Description	Code
1.		2.	

D2 OTHER TRAINING PROGRAMMES

1.   2.

D3 SPECIFIC DEVELOPMENT PLANS

Proposed Action (Tick as applicable)   Details of Actions Required

☐ Job Rotation   ☐ Job Enlargement   ☐ Special Assignment
☐ Deputation to Other Dept.   ☐ Other (Please Specify)

E Comments by Next Superior (S)

E1 On Specific Development Plans Stated Above in D3
E2 Overall Observations:

F For Use by Personnel/HRD Co-ordinator

Fig. 28.4 : MBO Method of Performance Appraisal at Larsen and Toubro Limited

- **Behaviourally Anchored Rating Scales (BARS):**
  - The problem of judgmental performance evaluation inherent in the traditional methods of performance evaluation led to some organisations to go for objective evaluation by developing a technique known as "Behaviourally Anchored Rating Scales (BARS)" around 1960s. BARS are descriptions of various degrees of behaviour with regard to a specific performance dimension.
  - It combines the benefits of narratives, critical incidents, and quantified ratings by anchoring a quantified scale with specific behavioural examples of good or poor performance.

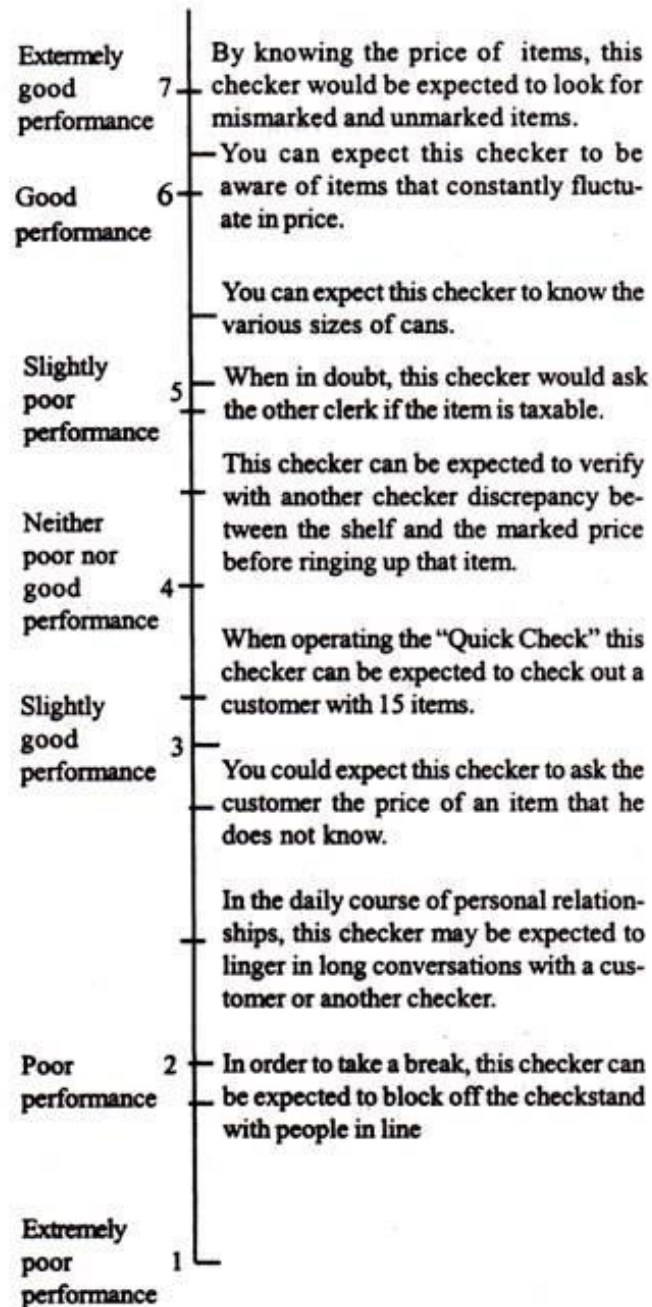|		
Extermely good performance	7	By knowing the price of items, this checker would be expected to look for mismarked and unmarked items.
Good performance	6	You can expect this checker to be aware of items that constantly fluctuate in price.
		You can expect this checker to know the various sizes of cans.
Slightly poor performance	5	When in doubt, this checker would ask the other clerk if the item is taxable.
Neither poor nor good performance	4	This checker can be expected to verify with another checker discrepancy between the shelf and the marked price before ringing up that item.
Slightly good performance	3	When operating the "Quick Check" this checker can be expected to check out a customer with 15 items.
		You could expect this checker to ask the customer the price of an item that he does not know.
		In the daily course of personal relationships, this checker may be expected to linger in long conversations with a customer or another checker.
Poor performance	2	In order to take a break, this checker can be expected to block off the checkstand with people in line
Extremely poor performance	1	

Fig. 28.5 : BARS for Appraising of a Grocery Checker's Job

- **Assessment Centres**
  - In business field, assessment centres are mainly used for evaluating executive or supervisory potential. By definition, an assessment centre is a central location where managers come together to participate in well-designed simulated exercises. They are assessed by senior managers supplemented by the psychologists and the HR specialists for 2-3 days.
  - Assessee is asked to participate in in-basket exercises, work groups, simulations, and role playing which are essential for successful performance of actual job. Having recorded the assessee's behaviour the raters meet to discuss their pooled information and observations and, based on it, they give their assessment about the assesee. At the end of the process, feedback in terms of strengths and weaknesses is also provided to the assesees.

- **360 degree appraisal**
- **Cost Accounting Method:**
  - This method evaluates an employee's performance from the monetary benefits the employee yields to his/her organisation. This is ascertained by establishing a relationship between the costs involved in retaining the employee, and the benefits an organisation derives from Him/her.

Limitations of Performance Appraisal

- **1. Bias of Appraiser:**
  - The presence of 'Halo Effect' in evaluation of employees is the biggest weakness of this method
- A high rate is given to favoured employees whereas unfriendly employees are rated low.
- **2. Ambiguity in Standards:**
  - If the standards are not clear, the supervisors may follow different standards for different employees.
- **3. Insufficient Evidence:**
  - An employee who can impress the boss may get a positive evaluation though his impression in his own department may be very poor. In such cases, the performance appraisal will be superfluous.
- **4. Several Qualities Remain Without Appraisal:**
  - Through performance appraisal, only few qualities of employees can be measured. All individuals differ from each other in terms of background, values and behaviour.

- **5. Leniency or Strictness Tendency:**
  - Every evaluator has his own valuation procedure which is regarded as his own standard for evaluation. For example, some teachers are strict in evaluation of answer books whereas others are lenient. The lenient tendency is known as 'Positive Leniency Error' whereas strict tendency is called as 'Negative Leniency Error'. The rating may be high or low depending upon the nature of evaluators.

- **6. Average Rating Problem:**
  - In order to give very low or very high rating, the top managers are required to give reasons to justify the rating. The most common error committed in performance appraisal is to give average rating to all employees. Moreover, low rating antagonizes the subordinates.

- **7. Influence of Man's Job:**
  - There is a tendency to give a high rating to highly paid jobs. So a senior employee may get a higher rating than a junior employee.

- **8. Similarity Error:**
  - The evaluator tries to look those qualities in subordinates which he himself possesses. Those who show the similar characteristics are rated high.

Wage Fixation

- Base wage and salary are defined as the hourly, daily, weekly and monthly pay that an employee receives in return for their work in an organization. Employee pay structure and salary are fixed after the base wage structure and salary are fixed.

- The other components of compensation are incentives, bonuses etc. The process of compensating employees in a fair manner, maintaining the principle of equity and employee expectancy is called compensation administration.

Principles of Wage Fixation

- Labour productivity
  - A valid economic theory connects wages to labour productivity. Conflict arises over the measurement of productivity. Rewarding labour with a wage increase when technology or capital investment increase, may not always holds good. There can be an increase in output due to factors other than labour contribution.
- The capacity of business to afford wage increases
  - This emphasises wages as a cost of production and wage increase may squeeze the profits of the company. Business owners follow the 'capacity' argument.
- The capacity of the economy to absorb wage increases
  - This 'capacity' argument views the macro impact of wage increases on inflation, competitiveness and other aspects of internal and external balance, as well as the effect it has on business profits and investments.

- Supply and demand of labour
  - If the demand for certain skills and supply are low, the result is a rise in the price to be paid for these skills. The other alternative is to pay higher wages if the labour supply is scarce and lower wages when it is excessive.
- Prevailing market rule
  - An organization's compensation policies generally tend to conform to the wage rates payable by the industry and the community. It is observed that some companies pay on more in order to obtain goodwill or to ensure the adequate supply of labour, while other organizations pay lower wages because, economically they have to , or because by lowering hiring requirements they could keep jobs adequately manned.
- Living wage
  - The wage paid should be adequate to enable an employee to maintain himself and his family a reasonable level of existence. However, employers do not generally favour using the concept of a living wage because they prefer to base the wages of an employee on his contribution rather than his needs.

- Managerial attitudes
  - The desire to improve or maintain morale, to attract high calibre employees, to reduce turnover and to provide a high living standard for employees also appear to be some of the factors in a management's wage policy decisions
- Psychological and social factors
  - Psychologically, a person perceives the level of wages as a measure of success In life, people might feel secure if the wage rate is high. They may develop an inferiority complex, and feel insecure if the wage rate is low. Sociologically and ethically, people feel that 'equal work should carry equal wages' and that 'wages should be commensurate with their efforts '; that they are not exploited and that 'no distinction is made on the basis of caste, colour, sex, or religion'. To satisfy the conditions of equity, fairness and justice, management should take these factors into consideration.

Job Evaluation

- Job evaluation is the rating of jobs in an organisation. This is the process of establishing the value or worth of jobs in a job hierarchy.

- It attempts to compare the relative intrinsic value or worth of jobs within an organisation. Thus, job evaluation is a comparative process.

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

- Job evaluation as a process used to establish the relative worth of jobs in a job hierarchy.

- This is important to note that job evaluation is ranking of job, not job holder. Job holders are rated through performance appraisal.

- Job evaluation assumes normal performance of the job by a worker. Thus, the process ignores individual abilities of the job holder.

- Job evaluation provides basis for developing job hierarchy and fixing a pay structure. It must be remembered that job evaluation is about relationships and not absolutes. That is why job evaluation cannot be the sole determining factor for deciding pay structures.

- External factors like labour market conditions, collective bargaining and individual differences do also affect the levels of wages it, organisations. Nonetheless, job evaluation can certainly provide an objective standard from which modifications can be made in fixing wage structure.

Objectives of Job Evaluation

- 1. Provide a standard procedure for determining the relative worth of each job in a plant.
- 2. Determine equitable wage differentials between different jobs in the organisation.
- 3. Eliminate wage inequalities.
- 4. Ensure that like wages are paid to all qualified employees for like work.
- 5. Form a basis for fixing incentives and different bonus plans.
- 6. Serve as a useful reference for setting individual grievances regarding wage rates.
- 7. Provide information for work organisation, employees' selection, placement, training and numerous other similar problems.
- 8. Provide a benchmark for making career planning for the employees in the organisation.

Advantages of Job Evaluation

- 1. Job evaluation being a logical process and objective technique helps in developing an equi-table and consistent wage and salary structure based on the relative worth of jobs in an organisation.

- 2. By eliminating wage differentials within the organisation, job evaluation helps in minimizing conflict between labour unions and management and, in turn, helps in promoting harmonious relations between them.

- 3. Job evaluation simplifies wage administration by establishing uniformity in wage rates.

- 4. It provides a logical basis for wage negotiations and collective bargaining.

- 5. In the case of new jobs, job evaluation facilitates spotting them into the existing wage and salary structure.

- 6. In the modem times of mechanisation, performance depends much on the machines than on the worker himself/herself. In such cases, job evaluation provides the realistic basis for determination of wages.

- 7. The information generated by job evaluation may also be used for improvement of selection, transfer and promotion procedures on the basis of comparative job requirements.

- 8. Job evaluation rates the job, not the workers. Organisations have large number of jobs with specialisations. It is job evaluation here again which helps in rating all these jobs and determining the wages and salary and also removing ambiguity in them.

Disadvantages of Job Evaluation

- 1. Job evaluation is susceptible because of human error and subjective judgment. While there is no standard list of factors to be considered for job evaluation, there are some factors that cannot be measured accurately.

- 2. There is a variation between wages fixed through job evaluation and market forces. Say Kerr and Fisher, the jobs which tend to rate high as compared with the market are those of junior, nurse and typist, while craft rates are relatively low. Weaker groups are better served by an evaluation plan than by the market, the former places the emphasis not on force but on equity".

- 3. When job evaluation is applied for the first time in an organisation, it creates doubts in the minds of workers whose jobs are evaluated and trade unions that it may do away with collective bargaining for fixing wage rates.

- 4. Job evaluation methods being lacking in scientific basis are often looked upon as suspicious about the efficacy of methods of job evaluation.

- 5. Job evaluation is a time-consuming process requiring specialised technical personnel to undertake it and, thus, is likely to be costly also.

- 6. Job evaluation is not found suitable for establishing the relative worth of the managerial jobs which are skill-oriented. But, these skills cannot be measured in quantitative terms.

- 7. Given the changes in job contents and work conditions, frequent evaluation of jobs is essential. This is not always so easy and simple.

- 8. Job evaluation leads to frequent and substantial changes in wage and salary structures. This, in turn, creates financial burden on organisation.

Compensation

- The term compensation is used to indicate the employee's gross earnings in the form of financial rewards and benefits.

Compensation can also be defined as follows:
- 1. A system of rewards that can motivate the employees to perform.
- 2. A tool that is used to foster values and culture.
- 3. An instrument that enables an organization to achieve its objectives.
- The management should ensure that compensation structure is designed after taking into account certain factors such as qualification, experience, attitude and prevailing rates in the markets. Compensation means the reward that is received by an employee for the work performed in an organization. It is an important function of human resource management. Employees may receive financial and non-financial compensations for the work performed by them.
- Financial compensation includes salary, bonus, and all the benefits and incentives, whereas non-financial compensation includes awards, rewards, citation, praise, recognition, which can motivate the employees towards highest productivity

- Compensation is a tool used by management for safeguarding the existence of the company. Compensation can be of two types—direct and indirect.
- **Direct Compensation:**
  - 1. Basic pay, dearness allowance, cash allowance
  - 2. Incentive pay, bonus, commission, profit sharing, stock option
- **Indirect Compensation:**
  - 1. Legal requirement
    - a. Provident fund
    - b. Gratuity
    - c. Pension
    - d. Insurance
    - e. Medical leave
    - f. Accident benefits
    - g. Maturity leave

- 2. Optional sick leave
- 3. Casual leave
- 4. Travelling allowance
- 5. Telephone bills
- 6. Canteen allowance
- 7. Club membership

Objectives of Compensation

- 1. The compensation should be paid to each employee on the basis of their abilities and training.
- 2. Compensation should be in the form of package.
- 3. It should motivate the employees towards increasing productivity.
- 4. It should be capable of taking care of employees for safety and security needs also.
- 5. It should be flexible and clear.
- 6. It should not be excessive.
- 7. Compensation should be decided by the management as per the norms fixed by the legislations in consultation with the union.

Importance of Compensation

- Legal Compliance
  - State and federal laws govern many aspects of the employee's pay and hours, including what the minimal rate is and how many hours they may work each week before they are entitled to overtime pay.
  - Employers must pay workers in accordance with compensation laws to avoid lawsuits and actions by the state and federal governments.
  - Some rules vary by state and by employee category. For example, a salaried employee is not subject to all the same laws as an hourly worker.

- Recruiting
  - Compensation, whether monetary or in the form of benefits, is a draw for talent and part of any recruitment strategy.
  - However, compensation isn't one size fits all. While competitive pay rates are important, some candidates may value non-cash compensation, such as extra vacation days, for personal reasons.
  - For example, a person with a small child may be more drawn to a compensation package that includes extra sick days than a person without children.
  - An employer must research potential talent to determine what they're interested in. Getting information about a candidate's salary and current job benefits may help the employer determine what they're looking for.

- Employee Retention
  - Proper employee compensation keeps morale high and ensures workers will stay.
  - Losing a good employee costs the employer money in terms of lost productivity, what they brought to the job and the expenses of hiring and training another person.
  - By providing raises and ensuring employees have the non-monetary compensation they're looking for, such as retirement funding and health insurance, employers can keep turnover rates low.

- Worker Motivation
  - While many things, such as praise, may motivate an employee, compensation is usually a significant factor.
  - Employees who can earn more compensation through good work and promotions will have a strong goal to work toward.
  - For example, a person in sales who earns bonuses after selling a certain amount of products may work harder to hit that number.
  - A profit-sharing plan might drive employees to perform better because if their employer does well, they'll get more money from the plan.