Chapter — 16

MANPOWER MANAGEMENT

16.1 CONCEPT

Manpower management often called, as personnel management is primary management function like planning, organizing, directing, controlling & decision-making. This is also referred as staffing. Due to change in management thought and development of modern management concept, manpower management, personnel management or staffing is cumulatively considered as human resource management (HRM). After the organizational objective has been determined, strategies, policies, programme, procedure, rules etc are formulated (for the achievement and organizational goal) activities are grouped in to job and lastly the organizational structure, with the positional responsibility and authority are determined. The next step of management is to procure suitable persons for the position. Since the efficiency and effectiveness of any organization is significantly dependent on the quality of human resources, the procurement of suitable person and their management for sustainability and development is very crucial management function.

Personal management is a specialized branch of management that deals with people from a lowest clerk to the topmost boss. However, in classical management concept, staffing is related to the management of managerial position holders i.e. managers and personal management are confined to management of non-managerial persons. However in present management concept staffing and personal management both are having same meaning i.e. management of human resources for the achievement of best result forms their effective and efficient use.

Since personal management deals with people, who are not a mere machine, commodities, or cost but are living beings who have diverse motive, feeling, thinking action are practically influence by the society. People join any organization with specific motive to earn money, to have better prospects in future. They sale their labor for the reasonable wage/salary and benefits they get. The management of man is very challenging as discussed above, humans are dynamic and no two people are similar in mental abilities, traditions, sentiments and behavior. People are responsive; they feel, think and act. Therefore they cannot be operated like machine or shifted and alter. Therefore they need a tactful handling, which is a very challenging and emerging field of management know as “Human Resource Management”. The ultimate aim of HRM is to achieve the goal of company with respect to the human personality and the well being of the individual. This can only enhance the creatively and motive of individual.

Thus the function of HRM or PM or Staffing is not limited to procure the personnel needed but to create the environment that utilized the optimum human capacity. The objective of PM/HRM/Staffing can be further elaborated as follows:

- To ensure that organization gets the right type of people, in right quantity, at right time and place
- To optimize the utilization on organization’s manpower.
- To create and maintain and organizational climate conducive to the development of the people.
- To establish desirable working relationship among the members of the organization.
- To maintain high morale by ensuring the development of highly effective work group.
16.1.1 FUNCTION OF PERSONNEL MANAGEMENT

Personnel management occupies an important place in the organization of an enterprise. The sequential classification of personnel management function is as follows:

Planning:
- Determination of manpower requirement (Manpower planning)
- Sources of manpower supply
- Job analysis i.e. job description and job specification

Procurement:
- Manpower recruitment
- Manpower selection
- Manpower introduction
- Manpower placement

Retention:
- Promotion
- Transfer
- Wages and salary administration
- Management of fringe benefits like
  - Financial
  - Education
  - Housing
  - Health
  - Recreation
  - Other welfare activities

Development:
- Training
- Appraisal
- Rating
- Development programme

Relation:
- Government rules and regulation
- Policies
- Labor union relations
- Community relations
- Collective bargaining
- Grievance procedure

Administration:
- Co-ordination and implementation of personnel policies and procedures
- Personnel records and reports
- Personnel research and statistics
- Evaluation of personnel administration
- Personnel audit

16.2 RECRUITMENT AND SELECTION

The promotion of productive efficiency through and effective utilization of men and machine is one of the primary objectives of personnel management. The attainment of this objective depends considerably upon the function of finding and placing the right man on the right job at right time in the right place. The use of scientific methodology selection is essential for the mentioned activities. A wrong man on a wrong job will retard the development and process of organizational growth. Scientific procurement and placement is one of the most important functions of personnel administration.

16.2.1 RECRUITMENT

The term recruitment stands for the process by which the potential manpower is discovered and encouraged to apply for jobs in an organization. The purpose of recruitment is to provide an educate number of applicants for each job opening. So that selection of right candidate could be made. Recruitment is a positive process where as
selection is a negative process, where only suitable person are taken and other remaining are rejected or eliminated.

Sources of Recruitment

In general there are two sources of recruiting employees

- Internal source
- External source

Internal sources

Many organization anticipates internal manpower i.e. employee as the source of manpower. It is not only reasonable but used to let the existing employees know of vacancies by internal advertisement. The existing talented employees are given the adequate training to be eligible for promotion to higher positions in the organizations. Filling a vacancy from within the organization has the advantage of stimulating and preparing for possible transfer and promotion, increasing the moral of the employees and simplifying selection and placement problems. A comprehensive programme of maintaining manpower inventory and its development will contribute much to the success of an internal recruitment programme.

External sources

Generally business undertaking has to go to external sources for lower entry jobs, for expansion and for positions whose specification cannot be met by the present employees. Some external sources are:

- Advertisement
  Advertisement in local or national newspaper or trade and professional journals is generally used when the qualified or experienced personnel are not available from other sources. Most of the senior positions, particularly when they cannot be filled from within are advertised. The advantage of advertising is that more information about the organization, job description and job specification can be given in advertisement to allow self-screening by the prospective candidate. Advertisement gives the management a wider range of candidates for selection. But its disadvantage is that it brings in a flood of response, even from quite unsuitable candidate and many applicants try to approach the members of the selection body.

- Agencies
  There are lots of manpower supply agencies established as private agencies or some operated by government. These agencies provide a nation wide service in an attempt to meet professional/personnel demand and supply.

- Educational Institutions
  Jobs in trade and industry have become increasingly technical and complex to the point where the college degrees are widely required. Consequently, many big organizations maintain a close liaison with the universities, vocational institutions and management schools for recruitment to various jobs.

- Recommendations
  Applications introduced by the employee's friends and relatives to the organization may prove to be a good source of recruitment and indeed, many employees prefer to take such persons because something about their background is known. Some organizations have agreements with the unions of employees to give preference to their relatives or retired staff relatives if their qualifications and experience are suited for the vacancies.

- Casual callers
  To meet the short-term demands of personnel, the management may consider the possibility of hiring personnel who call on them casually. This practice is more common on seasonal production company like sugar mill.

- Others
  Other sources are recruitment at factory gate, labor or contractors or others depending upon the time and conditions.

16.2.2 SELECTION

The primary objective of selection is to choose those individuals who are best qualified for employment and to place in jobs for which they are best suited. The achievement of sound selection programme is the responsibility of personnel department. The department should however, work closely with the line and other staff department
in order that the combined efforts will produce an adequate selection. The selection process is initiated when the personnel department receives a formal application from candidates. The candidates are subjected to logical steps or test to find their suitability according to job specification and job description. The usual steps in selection process is briefly described as follows:

Reception of application:
The selection starts with the reception of application. The application formats given by the management or advertised are received and only those applications that meet the specifications are selected for second stage, called preliminary interview.

Preliminary interview:
The second stage in selection procedure is preliminary interview. The aim is to explain candidate about the overall facts about job i.e. job description. Generally, by knowing about all fact about job few applicant take away their applications and few are rejected for next steps. The main objective of preliminary interview is to reduce application flood.

Application blank:
Some company ask the applicants to compile application blank, which generally consists of applicants details like:

- Personnel details
- Educational qualification
- Work experience
- Other details like hobbies, social work
- Family background
- Letter of recommendations etc.

Application blank is filled to find the applicants details in similar manner for all. Those organizations that have published the application blank with advertisement could omit this stage. This application blank will assist the selection procedure e.g. in interviewing.

Interview
Interview is the most universally used tool in any selection procedure. The primary objective of interview is to determine the suitability of applicants for further steps. If further steps are avoided / omitted, this will determine the suitability of candidate for job, on interview panelist discuss with the candidate about job description, job specification and about information given by candidate on the blank. Here the impression of applicants plays a major role. There are various types of interview used for selection procedure. Some common types are:

Informal interview
It is an oral interview and may take place anywhere.

Formal interview
Employment officer may hold it in employment department in more formal atmosphere. It may be titled as planned interview.

Pattern interview
It is also a pre-planned interview but it is move carefully designed to have high degree of accuracy and applicable for interviewing for higher position.

Depth interview
It is objective is to examine intensively the candidate background and thinking to go into considerable detail on a particular subject.

Stress interview
This type of interview is design to test the candidate and his conduct and behavior by putting him under conditions of stress and strain.

Group interview
Here all the candidates may be brought together in employment office and there may be interview in-group. It is designed to save busy executive’s time and to see how the candidates reach to and against each other.

Panel interview
Here the selection committee or a panel of interviewers may interview the candidates. This type of interview pools the collective judgment and wisdom of the panel in the assessment of the candidate.

**Employment and trade test**

It is sometime necessary to give trade tests and written tests before the interview or after the interview to judge the theoretical and technical competence of the candidate. Most of the western organization use employment test for scientific selection of workers. Some types of employment test are:

- **Intelligence test**
  These test are used generally to check the mental capacity and ability towards the job. The intelligence is widely used employment test.

- **Aptitude test**
  These test are used to determine the latent capacity or potential ability of individual. These test are the mental test or psychological test. After these test, some organization carry out the trade test often called as technical or subject matter test.

**Approval of the supervisor (Line authority)**

A suitable candidate or candidates determined from interview and or test are sent to supervisor i.e. line authority for approval. At this stage, the supervisor should carefully scrutinize into physical and mental capabilities of candidate with the particular reference to job specification.

**Physical examination**

After approval by supervisor, the next step in the selection process is to send the candidate to the physician for a through medical examination. The examination should disclose the physical characteristics of the individual that are significant from the standpoint of his efficient performance of the job, he may enter those jobs to which he may be reasonably expected to be transferred or promoted.

**Selection and placement**

The applicant who passes all of the foregoing screening steps is assigned to a vacant position in department where the manager and/or supervisor have interview and accepted him.

**Induction and follow-up**

The introduction to the job is very important step. Many companies feel that once the person has been put on the payroll the responsibility of personnel department is over, but it is a wrong practice. Instead the worker should be thoroughly introduced to the company and his job. A haphazard, ineffective induction of new worker to his job, his boss, his work place, and his work facilities is both wasteful and inexcusable. In some companies this function performed by supervisions under whom the employee will work and in such cases care should be taken to make sure that the supervisor follows thorough and follow-up every aspect of job introduction.

16.3 TRAINING

16.3.1 CONCEPTS

Training may be defined as the learning of skill and knowledge for particular job or group of job. Most training is directed at upgrading and improving an employee's basic skill as well as job specific competencies. When a new employee is selected, induction training is provided to him, so that he can adjust himself in new environment. He is made familiar with the company’s policy, objectives, rules and regulation etc. Actually speaking, induction training is concerned with the problems of introducing or orienting a new employee to his work group, supervisors and the organization. The time spent in induction training proves beneficial in long run. The procedure and methodology followed for induction training (orientation training) vary according to the age and grade of the employee being introduced. The period of induction training need not to be long, but it is essential that the inductee be given the following information.

- The company and its product
- Standing orders and working conditions.
- Organizational structure.
- Amenities and services.
- Personnel policies.
- Sources of information
- Safety and accident prevention.
- Employees own dependent.
However, the training is not limited to induction period only. The major training programme is concerned on *post induction period*, where the employee are developed to cope with the complex problem, that they are and will be facing on present or in future. Thus employee need job specific training for developing problem solving skill. However, they should also be developed continuously regarding interpersonal skills, which make them able to coordinate efficiently and interact efficiently. These types of post induction training are also called as *Management Development Programme*. So the organization should develop the efficient resource development i.e. training schedule to develop their human resources. There are various methods and techniques developed for training depending upon need, whatever the methodology of techniques, the systematic training will provide the following advantages:

- Employee proficiency, efficiency and morale are increased and ultimately productivity is increased. The product quality is increased. The wastage is reduced.
- Better co-operation and teamwork among employee are established. This increases the job satisfaction among workers.
- The labor turnover is reduced. This increases the organizational stability and flexibility.
- Training reduces the occupational accidents and make safe working environment.
- The life of machines and facilities are lengthened by better operation of them. That minimizes the breakdown and reduces the failure cost.

### 16.3.2 METHODOLOGY OF TRAINING

The method of imparting instructions during training should be based on well-established psychological principle of learning. The material to be taught or presented will often dictate the teaching method, but as far as possible, any method that is chosen should permit learning by doing. It is said that an individual remembers 90% what he does, 50% what he sees and 10% what he hears. With this in mind and also the fact that industrial training is an adult training, the trainer has to adopt a suitable teaching method. Four principle methods of trainings are as follows:

- **Lecture method:** This is most commonly used to speak to large groups about general topics. The lectures should be however brief and made applicable with the use of examples.
- **Recitation method:** Under this method, question and answer technique is employed. To a certain extent, it gives a sense of participation to the trainees, but at the same time a classroom atmosphere is created. This can be used to the best advantage when there are few trainees.
- **Demonstration method:** This is commonly used in laboratory or scientific instruction. If instead of only watching the trainer demonstrating the trainees also alternately put on demonstrations, the interest of group is stimulated.
- **Conference method:** The conference method of directed group discussion is by far the best method of exchanging information and ideas among adults. It gives them a sense of participation and keeps them awake. The chief feature of this method is that the trainer, who is merely a discussion leader, doesn't try openly to impose his answer on the group.

### 16.3.3 KINDS OR TYPES OR FORMS OF TRAINING

Most training takes place on job, because this approach is simple to implement and is usually inexpensive. However, *on-the-job* training can disrupt the workplace and result in an increase in errors while learning take place. Also some skill training is too complex to learn on job. In such case it should take place outside the work setting, which is called *off-the-job* type training. Thus the training can be classified as on-the-job type and off-the-job type. The training types and methods are highly specific to the type of trainer. That means the methodology and types vary according to need/output or knowledge to be given to trainee. The knowledge depends on the level of employee or situation that exist. The training that is needed for worker is obviously differing to that of foreman or manager. The different types of training are shown in figure 15.1

![Figure 15.1: Types of training](image-url)
The most common method used by industry to train individuals is on the job training. Employee may be coached and instructed by skilled workers, supervisors or by special training instructors (for training crafts, trades and technical area). Similarly, lateral transferring of employee allows them to work in different situation and provides good exposures. Classroom lectures are designed to convey specific technical, inter personnel or problem solving skills. Using films and video to explicitly demonstrate technical skills that are not easily presented by other training methods. Simulation exercise includes case exercises, case analysis, experiment exercise, role-playing and group interaction. Vestibule training includes learning tasks on the same equipment that one actually use on-the-job but in a simulated work environment. The usefulness of training on upgrading the resources utilization is shown in figure 16.2.

Figure 16.2: Training upgrade resources utilization

16.4 PROMOTION / TRANSFER / DEMOTION

If the first main task of Personnel Administration is the scientific recruitment of the workers, its second task is that of applying and maintaining an effective work force. Maintenance of an efficient work force (Human force) and its scientific administration is not easy task. Internal administration of the manpower involves a number of considerations, such as systematic promotion of deserving employees, well-planned inter-departmental transfer, demotions of the inefficient employees, suspension or discharge of workers etc. Promotions and transfer are essential features of any personnel programme designed to maintain a labor force at a higher level of efficiency. They may be regarded as symbol of the whole attitude of the employer towards the employees. They have obvious implications for the economic security of the employees. The following paragraphs deal with the principle of promotion and transfer. Though not on syllabus, we will deal a little bit about demotion and suspension.

16.4.1 PROMOTION

Promotion is usually a movement to a position in which responsibilities are increased. It is, in a sense, an increase in rank. Ordinarily, promotion is regarded as a change that results in higher earnings but increased earnings are not essential in a promotion. Apparently, therefore, promotions places employees in position which carry greater as well as increased responsibilities. It obviously is associated with increase in earnings, status, rank and facilities. However, in period of business depression, dry promotion may be done, which though incurs the higher position but not higher earnings.

Reason of promotion

There are several reasons for promotion of an employee. More often, promotion rewards employee for faithful service, meritorious performance, outstanding ability on the job, and accomplishments in training programme, or self-improvement, good attendance, punctuality and other indication of desirable services. Sometimes promotion seeks to prevent employees on great potential ability from resigning. In many cases, it appears to be a reward for longevity of service and it is basis of seniority promotions.

Usually, promotion is not only a means of rewarding employees; it is at the same time, a means of placing the employees in those positions where they can be more valuable for the concern. It seeks to fill position effectively by selecting from present employees. It reduces the labor-turnover, in many instance it solves the problem of training by providing instructions on the jobs of high positions to which workers may be promoted.
Types of promotion

The following are the major types of promotion:

**Horizontal promotion**: This promotion does not involve change in basic classification of position e.g. semiskilled worker is promoted to skilled worker, both are on labor classification.

**Vertical promotion**: It crosses the boundaries of basic classification or distinctive change in responsibility e.g. an operator promoted to Incharge position. Similarly, the promotion might be Inter-departmental, Intra-departmental or inter-plant. These promotions can also be of horizontal type or vertical type.

Criterion for promotion (Seniority Vs Merit)

The two important criteria of promotion are seniority and merit. The merits and demerits of the two methods may be discussed as follows:

**Seniority**

It has the following advantages:
- Seniority is a question of fact; it supplies a purely objective basis of promotion.
- It is a synonymous with experience.
- Supersede by junior may de-motivate seniors.
- Seniority may eliminate all disputes and discontent among the workers.
- Seniority may be coupled with specified promotion or advancement test in which candidate must qualify; promotion may then be effected in order of seniority among the qualified employees.

It has the following Disadvantages:
- The principal disadvantage is that merit is not rewarded and therefore the system may generate an atmosphere of complacency and inertia among workers.
- Since the more efficient employees know that they cannot expect any promotion by the virtue of hard work and merit, they may lose heart and develop frustration, which would reduce the average standard of efficiency.
- Since progress is a function of merit and ability in different assignment, a promotion scheme based on seniority is likely to slow down progress and competitive spirit in a company.

**Merit**

Merit as the basis of promotion possesses the following advantages:
- Management become more competitive as it consists of meritorious personalities.
- If merit is recognized and adopted as a basis of promotion, efficient employees are motivated for better and greater work.
- When positive meritorious workers would be adequately reward by granting promotions, labor productivity would positively increase.
- A healthy spirit of rivalry and competition would set in and ultimately average efficiency level of the company would go up.
- If promotions were based on merit, all senior post would be managed by competent persons.

Merit as the basis of promotion possesses the following disadvantages:
- The major disadvantage of this method is lack of objective standard for the assessment of merit.
- Since assessment of merit may be largely a subjective process, this method may leave room for partiality, nepotism or other forms of irregularity and corruption.
- If juniors are promoted on the basis of merit and if just his senior colleague does not accept this as fair or, discontent and heart burning may result.
- It is a common experience that different officers on different persons assess their merit differently.
- Since merit becomes synonymous with the assessment report of the senior officer, the junior feels themselves at the mercy of the seniors and is tempted as result, to try and please the senior by unfair or corrupt means.

The optimal promotion criteria

The best promotion criteria must necessarily be complete combination of objective efficiency, professional competence and human qualities. The best scheme should be one, which does not ignore either of the two criteria. Whereas seniority should be given due weightage, merit cannot be entirely discounted. Similarly, while merit must be given due recognition, an employee, who has been for many years with a company and has worked in different positions, cannot be put at the same footing as a new entrant of yesterday. The best system would, therefore, be to give appropriate weightage to both the criteria: the *merit and seniority*. For instance, for
high executive jobs, merit would naturally have a greater emphasis than mere seniority. On the other hand, for a routine management job where an average level of merit or ability may be sufficient, seniority may be given a larger weightage.

16.4.2 DEMOTION

Demotion may be defined as a shift to a position in which responsibilities are decreased. Promotion is, in a sense, an increase in rank, and demotion is a decrease in rank. Commonly, demotion becomes necessary when an employee is found to be unable to perform satisfactorily the function assigned to him. Such situation may result from errors in promotion, or in other cases, employees may have lost some of the qualifications that justified their original placement on the job. Loss of qualification is particularly likely if employees have been on an extensive leave or absence or have been away from job for other reasons. Demotion is always difficult and management should as far as possible try to avoid it at any cost. That efficient operation suffers in such cases cannot be questioned. It is better to move man up and out than up and then down. In general, policy should be carefully and clearly defined so that there may be no ground for grievance.

16.4.3 TRANSFER

A transfer involves the shifting of an employee from one job to another without special reference to changing responsibilities or compensation. In keeping the various positions in an enterprise filled as in providing for the particular interest of employees, transfer plays a leading part. There may be two principal types of transfers:

- Production transfer
- Personnel transfer

Under production transfer, the employees are transferred from one department to another according to the requirement of trade e.g. if the production is restricted, the employees of one department who are in purely surplus may be transferred to other department. Personnel transfer represents shifts made to meet the need of employees rather than of management.

The reason for transfers may be as follows:

- A shortage of men in one department or plant.
- Expansion or contraction of the business.
- A shortage of man with a particular skill or ability in one department or plant.
- Improper initial placement.
- Change in employee's interest or capacities.
- Conflict condition.
- Health, occupational health and safety condition.
- Job relation principle of organization.

Principle of transfer

The first step is a clear-cut statement of policy regarding personnel transfer. The statement should clearly indicate when and under what circumference transfer will be made and the channels through which request of transfer routed. The policy should have a uniform application on overall departments. It should be given such publicity as necessary to ensure that all employees have a chance to become familiar with it. Care must be taken to ensure that all request for transfer are given the due heed prescribed by the statement of policy.

16.5 JOB EVALUATION

16.5.1 CONCEPT

Job evaluation is the process of determining the relative worth of job within the organization so that different wage may be paid to the job of different worth. Organizational objectives are segregated to different activities and similar activities are grouped to jobs. Similar jobs are assigned to certain groups called departments or divisions, which may have different positions. Each job or sub-division of job must have an unambiguous name or title, based on the standardized trade specification e.g. Production Manager is a title or position, who handles jobs regarding production or manage production.

Money is one of the must important aspects of employer-employee relationship. For good industrial relation every employee should:

- Receive sufficient money in the form of wage or salaries to sustain himself and his dependents.
• Feel satisfied with the relationship between his wage of other people performing the same class of work in the same organization, in the same industry

Thus the primary objective of wage and salary administration programme is that each employee should be equitably compensated for the service rendered by him to the enterprise.

The most important decision on compensation for a job usually involves:
• Comparison of one job to another job within the organization (Job evaluation)
• Comparison of job to another similar job of other organization or industry (wage survey, it is dealt under wage and salary administration).

The basic objective is created from the statement "Pay for the job, not for the man". i.e. "Rate the job and not the man". The requirement of job is usually definite and fixed. Hence job evaluation finds the relative worth of the each job according to the job description or specification, the both are some time called as job analysis. So, the job evaluation must be objective in nature.

Job evaluation is a systematic procedure for determining the relative worth of the job. Once the worth of job is determined (dealt under topics method of job evaluation) it becomes easier to fix the wage structure that will be fair and equitable. Thus, job evaluation helps in fixing wage scale. The process of job evaluation starts with job analysis and ends with classification of job according to its worth. Job analysis is sometime referred as job study. It includes the description of job and quality required for the job, which are respectively called job description and job specification. Job analysis, a first step of job evaluation is shown in figure 16.3 and summary diagram of job evaluation is shown in figure 16.4.

**Figure 16.3: Job analysis**

**Job Description:**
- Job title
- Job Location
- Job summary
- Duties to be performed
- Types of machine, tools, and equipment
- Responsibility to be taken
- Relation to the other job
- Nature of supervision
- Working environment
- Hazard and other condition

**Job Specification:**
- Qualification required
- Skill required
- Experience required
- Training required and types
- Special aptitude
- Initiatives
- Emotional characteristics
- Sensory demand

**Figure 16.4: Summary of job evaluation**

Using some methods to study job description and job specification and assigning a relative score of each job

Assigning a money rate of pay to each job according to its worth.

Grading job according to scale to pay
Those who are rating the job must rate the not the employee. In deciding how much money a particular job is worth, the evaluator must not focus on the extra qualification or under qualification personal but focus on the qualification and skill needed to the job. A clear and accurate job specification and description is required for good job evaluation. However, the prime objective of job evaluation is to classify the job in certain groups according to its worth. The fixation of payment on each job need further analysis and will be dealt in detail under topics wage and salary administration.

16.5.2 OBJECTIVE OF JOB EVALUATION

Job evaluation has the following objectives:

Eliminating inequities
It is common experience of all concerned that the biggest single factor contributing to job dissatisfaction is inequality of base rate for comparable work. Job evaluation establishes the relative values, thus inequalities of the rate can be eliminated.

Solving controversies regarding wage:
Job evaluation provides a relatively objective basis for resolving wage controversies involving comparative rates.

Elimination of personal prejudices
Job evaluation also helps in the elimination personal prejudices in establishing rates by putting the rate structure on an objectives basis. Personal prejudices in rate setting usually take the form of favoritism in respect to employees. In job evaluation, the job is rated & not the employees. The employee rating is done by the process of merit rating as described under topics promotion (refer 16.4.1).

Establish a definite plan for salary administration
When rates are established for the various jobs, they provide guideline for management to evaluate the incumbent in terms of the job.

Proper emphasis on job factor
These factors are determined during job analysis. This will help in standardizing of wage labels.

16.5.3 METHOD OF JOB EVALUATION

In fact there is no standard factor to be considered under job evaluation. However, it is considered that:

- The more difficult the job, the more it worth.
- The more scare the labor supply, higher the demand, the more the job worth.
- The more skill and education required in a job, the more it worth.

These general rules usually hold true for most job & serves, as the indication of what level of pay should be fixed for specific job. The few general methods for job evaluation are described below.

1) The ranking or grading method.
2) The factor comparison or weight-in-money method.
3) Point systems.

The ranking or grading method

Under this method of job evaluation, the job descriptions are arranged in rank according to the value of work as judged by the analysis. It consists of three stages.

---

**Step 1:**
Making thorough job analysis.

**Step 2:**
Expressing the finding of analysis into job description.

**Step 3:**
Ranking each job by arranging them in ascending order, starting with the one that require minimum requirement and ending up with that require maximum requirement

Factors considered in ranking are:
- Volume of work
- Difficulty of work
- Monotony of work
- Responsobility in volved
- Supervision require
- Knowledge&experience required
- Working conditions

---
Each of these factors are considered generally rather than specifically, and the various factors are not weighted or given point value when ranking the jobs. Sometimes the jobs are ranked first by departments.

**The advantages of ranking systems are:**

- Simple
- Requires less time than other system.

**Disadvantages:**

- It does not tell how much one job differ from another merely that is higher or lower.
- There is no commonly accepted base for deciding the ranks.
- The method is subjective, so that wages for job are likely to influence the ranking.
- This method is not accurate and applicable for large industry. This is applicable in small industry.

**Factor comparison or Weight-in-money method**

This method *(developed by Eugene-1928)* consists of analysing the jobs on the basis of the following five factors.

1. Mental requirement.
2. Skill requirement.
3. Physical requirement.
4. Responsibility.
5. Working conditions.

The job are ranked according each of the above factors, one factor being taken at a time, each job compared with the other with respect to its worth on this factor alone. Applying money value to the ranking does the weighting of the relative value of this factor in each job. After all jobs have been rated on each factor, a wage rate for job is determined by obtaining the sum of the money weighting determined for each of the five job factors. These wage rates then becomes the basis for determining the wage scale.

Among the advantages of the factor comparison method is the fact that *unlike jobs can be evaluated*. The system may be applied to combinations of clerical, manual & supervisory positions. On the other hand, factor-comparison systems are complicated, and installation is expensive. They may not be readily explainable to employees. They cannot be developed by a nonexpert, but require leadership by a component & experienced practitioner.

**Point systems:**

The most important characteristic of point system is their use of a manual. The manual outlines elements of factors upon which each job is to be rated & provides scale & yardsticks by which each degree of each factor is to be valued. It describes several job elements & prescribes the weighting to be applied to each element. It includes a scale for each elements by means of which varying degrees are to be appraised. These degree determine the number of points to be credited to the job. The total of such point establishes the point value of the job.

The four job factors common to be practically all point methods of jobs rating are *skill, responsibility, effort and job conditions*. These may be, and usually are further sub divided. The sub-division of job factors are as follows:

1. **Skill**
   
   a. Education.
   b. Experience.
   c. Intuitive.

2. **Responsibility**
   
   a. For works of other.
   b. For process.
   c. For equipment.
   d. For safety.
   e. For materials or products.

3. **Effort**
   
   a. Physical exertion.
   b. Mental strain.
   c. Decision making.
   d. Training others.
Advantage of point system are:
- Since, the method involves points (i.e. numerical figures), it is considered to be more accurate & reliable.
- It is more precise than any other method of job evaluation.
- The method can be understood easily.
- It is most widely used method of job evaluation.
- Once grade table has been constructed, the chance of subjective discretion decrease.

Limitations of point system are:
- Analysis of factors & grades involves a large amount works and experience.
- Points allocated to each factor basedon more of less arbitrary grounds.

16.6 WAGE AND SALARY ADMINISTRATION

16.6.1 CONCEPTS

Wage: Wage is regarded as the payment made to the labor whose output can be measured. They are paid on short-term basis like hourly, weekly or daily.

Salary: Salary is the money paid periodically to person whole output can't be easily measured e.g. clerical staffs, supervisory staffs. They are paid on monthly basis.

Incentives: Incentives is the inducment or reward which is given to a worker for his efficiency and hard work. In the classical management incentives are the extra money paid for worker for their efficiency or extra output. Thus, incentives excludes wages/ salaries and overtime. In modern management, the incentives aren't only limited to financial incentives eg. commisions, premium, extra money but also include indirect and non-financial benefits. The indirect financial benefits are called fringe benefits. In this chapter, we will considered the types of wage, method of wage payment, types of incentive wage plan (where incentive is regarded as only financial incentive) focusing on labour aspects mainly. In modern management it is quite hard to differentiate between salary and incentives. Both the salary, and incentives are cumulatively called as compensation. This compensation includes direct financial compensation, indirect financial compensation, & non-financial compensation. As already discussed, all other compensations other than salary are called “incentives”, which on modern management are referred as” benefits”. The various compensations are shown on figure 16.5.

Figure 16.5 : Component of total compensation programme
In the above diagram all the compensation except wages and salaries are called incentives. These incentives are on modern management called as benefits. The indirect financial benefits are called as figure benefits. In this chapter we will be considering on the labor aspects where incentives refers to extra money/premium they are getting from their efficiency on work or extra output and the method for determination of these incentives will be deal on details.

**16.6.2 ADMINISTRATING WAGE AND SALARY**

Wage and salary administration refers to the establishment of and implementation of sound policies and practice of employee compensation. The general objective of wage and salary administration is as follows:

1. Establishment of fair and equitable remuneration i.e. compensation and benefits.
2. Control of cost
3. Utilization of wage and salary as an incentives to greater employee productivity.
4. Maintenance of satisfactory public relations.

To achieve this objectives, the responsibility for wage and salary administration usually lies with top management eg Board of Directors, Chief executives, who inturn is expected to develop policies and procedures for the above objectives. The personnel manager however has the vital role in this aspects.

Varried form of wage and salary policies has been developed according to business nature and location. The three policies are dealt over here.

**First policy** : The old or first policy is that wage and salary must be at a level which is adequate to attract, retain and motivate employee to perform task assigned to them. This approach fails to recognize human factor eg desire for better way of life.

**Second approach** : The second approach is that the wage and salary must be equitable to that of competitors organization.

**Last approach** : The last approach is that, wage and salary must be able to cope with the change in cost of livings and productivity as a basis of wage change. This approach is regarded suitable for modern management. The productivity based for wage change acts as the motivational factors. This is also known as "Motivational wage plan".

The company may have or may not have its own wage salary policy. However the basic purpose of wage and salary administration is to establish and maintain an equitable wage and salary structure, which satisfies employee for their service rendered. This wage and salary i.e. total compensation should always focused on the increasing productivity of organization, by motivating employees. For this equal focus should be given to wage/salary and incentives. As it is regarded, the man are not always motivated by money. i.e. they are not "an economic man", the benefits apart from wage and salary always acts as an catalyst, which increase the human effort towards job.

Generally various factor affect the wage the employee get. Some common factors are:

(a) **Prevailing wage** : The prevailing wage is on going wage rate i.e. the wage is determined by taking the account for the wage of same job in other similar industry or labor market. This practice is widely used.

(b) **Ability to pay** : The amount or sum that a company can pay is also a determinant of wage. The economically sound/rich company may have the higher scale than that of loose factory.

(c) **Cost of living** : The cost of living also is a factor to determine the wage. This is very modern policy toward wage determination. Generally the wage should be such that it can afford the cost of living of the employee. This policy create a sound environment in the organization.

(d) **Bargaining power** : The wage is also governed by the bargaining power of trade union. The highly unioned labor may give pressure to management to increase wages and this is also very used technique by labor union. Labor act has also made provision for the same.

(e) **Supply and demand of labor** : This is the economic theory. If the supply of labor is high then the demand i.e. wage decreases and viceversa.

(f) **Government law** : Generally governement has fixed the minimum wage and wage incentives. The wage cannot be less than the minimum wage.
16.6.3 TYPES OF WAGE

Generally wage can be classified on the following three categories.

(a) Minimum wage
(b) Living wage
(c) Fair wage

Minimum wage:
A minimum wage may be defined as that wage which is sufficient to cover the bare physical needs of the worker and his family. Many people concern that the minimum wage should also be able to fulfill other requirements such as education, medical facilities and other minimum requirements of himself and family. Thus the minimum wage should be able to provide the minimum or reasonable living standard with respect to his health, efficiency and well being. The minimum wage is a standard which has to be paid to worker irrespective of the company’s financial position. If any organization is not able to pay minimum wage it has no right to exist.

Living wage:
The living wage is the wage above fair wage discussed below. It is the wage which can offer the normal need of average employee in civilized community. It provides the standard of living.

Fair wage:
It is something more than minimum wage providing the mere necessities. The lower limit of the fair wage is obviously a minimum wage and the upper limit is said by what called "capacity of the industry to pay". Fair wage compares the present wage of industry/organization to the other industry doing the same type of job. Fair wage depends not only on the present economic position of company but also on its future prospects. Between two limit "minimum and maximum", the wage is governed by ongoing wage rate, productivity of labor, level of national income and company ability to pay.

16.6.4 DETERMINATION OF WAGE/SALARY

As we know the wage/salary must be above the minimum wage and the determination of wage/salary is affected by various factors. The following logical sequence can be applied on determining the wage and salary.

Fig 16.5: Way of determining the wage and salary

```
Job analysis

Job description                      Job specification

Job evaluation

Survey of wage/salary

Analysis of organizational status

Minimum wage law

Structuring of wage

Establish rule for administering wage

Wage payment to individual
```
16.6.5 ESSENTIAL OF SOUND WAGE PLAN

The following parameters are essential elements for sound wage plan.

a) Equitable to all
b) Equal pay for equal work
c) Simplicity, certainty and flexibility
d) Incentive wage/Merit rating.
e) Fringde benefits
f) Hedge against inflation
g) Fair wage/Current going rate
h) Collective bargaining
i) Worker's participation on management
j) Grievance handling mechanism

16.6.6 METHOD OF WAGE PAYMENT

The compensation that a company provides to his employee is either on the length of time at work (Time wage basis) or the production unit of worker (Piece wage system).

All wage system are combination of these two system. Some system apart from time and piece includes incentives which is called profit-sharing scheme or gain sharing or incentive wage plan or premium or Bonous method. The method of wage payment is shown in figure 16.6.

**Figure 16.6 : Method of wage payment**

<table>
<thead>
<tr>
<th>Based on the output of worker (Piece wage system)</th>
<th>Based on time at work (Time wage system)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Combination wage system that include incentives called by one of the following terminology</td>
</tr>
<tr>
<td></td>
<td>- Profit sharing scheme</td>
</tr>
<tr>
<td></td>
<td>- Bonous method</td>
</tr>
<tr>
<td></td>
<td>- Incentive wage plan</td>
</tr>
<tr>
<td></td>
<td>- Premium method</td>
</tr>
<tr>
<td></td>
<td>- Gain sharing method</td>
</tr>
</tbody>
</table>

Let us now peep in to the principal characteristics, merits on demerits of these primary systems of wage payments.

**Time wage system**

It is the oldest system of renumerating labor. Under the day work system of the work wage, the employer buys the time of the worker i.e. the worker is guaranteed a definite sum of money for a specific period of his working time. The unit of time bought may vary from one hour to one year, so it should not be confused from "day work" which is a misnomer. Eg worker are hired on day basis but managers or supervisors are hired for year basis. The contract deed between employer and employee, which is within the applicable law of country called contract paper specifies the renumeration details.

**Advantage**

(i) Simplest system of enumerating labor
(ii) It possesses an element of security from the standpoint of the workers because they are sure to receive their fixed wage irrespective of temporary reductions in personal efficiency e.g., fatigue, unavoidable accident etc.

(iii) Due to its simplicity and easy understandability, it is very much appreciated and liked by trade unions.

(iv) It requires less administrative attention than others because the very basis of the time wage contract is in good faith and mutual confidence between the parties.

(v) Under time wage system there is no hurry to complete the task immediately or at the earliest, hence the workman get ample opportunity to show his craftsmanship and enjoy the pleasure of a perfect product quality.

(vi) Due to "slow and steady pace" of the workers there is no rough handling of machinery which is a district advantage to the employer.

(vii) The workers are paid according to their worth to the company rather than estimated worth of work he does at one time.

(viii) Time rate type is the only system of payment where output is quite hard to measure.

(ix) The time wage system is best system provided it is used only after proper job evaluation and merit rating.

Disadvantage

The disadvantage of the time wage system lead to the formation of new concept piece wage system. As in time wage system an efficient worker is unable to get more pay from his efficient work, rather he will get the same compensation equal to other inefficient fellows. The same demerit of time wage systems are :

(i) The principal objective of time wage system is that there is no incentive for hardwork, both good or bad workers as paid alike. As there is a fixed wage, there is no stimulus to work harder i.e. no difference between good worker and loafer.

(ii) It leads to reduced quantum (amount) of work, unless a strict supervision is arranged.

(iii) It destroys the morale of workers and efficient worker are either driven out or pulled down to the level of inefficient workers.

(iv) The latent talent of workers are not utilised, as if he does show, it develops the sense of exceptional men among peers and they humulate him for his exceptional act.

Piece wage system

Since the time wage system tends to discourage the talent of individual employee, the second method of remunerating labor is introduced i.e. piece wage system. Under this method the payment is done according to the output i.e. production i.e. workers who works harder and makes more production or has high speed earns more. If he takes longer period, his remuneration may fall below time wage. Piece rate wage are applicable to repetitive work and task which can be readily measured, inspected and counted. It is suitable for specialised process. It establishes individual identity, fosters initiative and creates self interest in the workers. If \( N \) = Number of pices produced, \( r \) = Rate per piece, then the worker's earnings \( E \) = \( Nr \)

Advantage

(i) Under appropriate conditions it excels other forms of payment in respect to economy as well as justice. Remuneration being dependent upon the volume of production, there is a direct stimulus to increase production.

(ii) The cost of supervision becomes comparatively less, as the workers tend to drive themselves in their own interest.

(iii) As the labor cost per unit production is fixed, the accounting system is simpler.

(iv) The total unit cost of production comes down with larger output because the fixed overhead burden can be distributed over a greater number of units.

(v) The working arrangements may be improved by the workers themselves to seep up work.

(vi) No only output and wage increase, but methods of production are improved, as the workers demands materials free from defects and machinery in perfect conditions.

Disadvantage

(i) When a piece rate has been introduced in place of time wage, under its influence, the workers have increased their output and income. The employers, in such case may cut the rate, which may cause antagonism and disputes between workers and management.

(ii) In their eagerness for increased earnings, workers may exert themselves to the point of exhaustion as to undermine health and efficiency.
(iii) To much emphasis on quantity of production may have adverse effect on the quality.
(iv) The keeping of individual production records and making of pay rolls involves time and cost.
(v) If there is no minimum wage, the stoppage of production either by lack of R.M. or stoppage of machine may reduce to earning of workers.
(vi) Excessive speeding up of work often results in careless handling of machines and equipments, thus require frequent replacements.

The piece wage system is suitable under following conditions.
- If the amount of work can be accurately measure, standardised and counted.
- If productivity is closely related to skill and effort.
- If the unit cost of labor can be easily determined and controlled.
- If there is no fear of unwarranted rate cutting by the management and employer realises the distinct advantage of piece work.
- If labor offers full co-operation.

**Incentive wage system (wage incentive plan)**

The relative advantage of time and speed as a base for wage payment suggest a compromise between them which may combine the plus point of each system. System which attempt to do this are generally known as "Incentives plans". They are also called as *premium or bonus method*. As dealt earlier, incentives are not only financial in nature, they are majorly nonfinancial in nature, however here we will be dealing with financial incentives i.e. the financial incentives the workers get from the efficient work or from higher labor productivity.

The incentive plan consists of three fundamental components. They are:
1. Establish a standard output per unit time eg 100 unit/hour
2. Establish a standard rate of compensation eg Rs. 10/hour
3. Establish a incentive/Bonous premium rate for eg Rs. 0.20/piece

In above example, assume a worker produce 120 unit, then he will get

\[
= Rs. \ 10/\text{hour} + (120 \text{ unit} - 100 \text{ unit}) \times 0.20/\text{piece}
\]

\[
= 10 + 4 = Rs. 14
\]

Here Rs. 4, that be get regard less less his wage is Rs. 10/hour is called *incentives*.

The firm may derive own incentive plan with base rate using four basic elements. Ther are :(i) Unit of output (ii) Time saved (iii) Time worked (iv) Standard time, or may take account various incentive plan developed by scientists.

**Main objectives of incentive plan**
- Increase productivity
- Reduction on labor cost
- Raise in employee’s earning
- High employee morale
- Better employee – employer relationship.

**Advantage of incentive plan**

Premium or bonus or incentive system has the following advantages.
- To stimulate the production by encouraging workers to earn more than average wage.
- To eliminate the cutting down of rates by providing bonus.
- To help towards economical production by reducing wage and production cost per unit.
- To unify the conflict interest of employer’s and the employee so as to promote and sustain increased and smooth working.
- Both quality and quantity of the output is secured by the management.

**Types of incentive plant**

The major types of incentive plan are as follows:
- Straight piece rate with a guaranteed base wage
- Differential piece rate system (Taylor and merrick plan)
- Halsey plan
- Rowan plan
Classification of incentives
Incentives in industry may be classified as following to two groups as shown in figure 16.7.

Financial incentives
The financial reward is still the most important influencing and motivating factor up to a certain limit of income. After that level of income, worker will look for other satisfaction. It is by only virtue of monetary incentives that the workers can satisfy their fundamental requirements of food, clothing and shelter according to their sweet will. Some cash on their purse creates a sense of security. They are always confident that during the period of emergency, they will not have to beg or surrender at the feet of others. On the other hand, they can satisfy their requirements, requirement of their family members and other dependents with the cash in hand. Thus, the cash or nominal wage plays a significant role in the life of worker. When the cash wage is coupled with cash incentives also, the result are more productive.

Non financial incentives
Non financial or non monetary incentives includes all other influences planned or unplanned, which stimulate exertion. Merely cash wage cannot help in solving the problems of production. In order to infuse enthusiasm in a worker for greater and better work, non monetary incentives have a distinct and significant role. The following are major types of non financial incentives:

- **Job security**: Every worker wishes that along with his fair wage/salary, he would have secured job. He wants that, there would not be risk of retirement, demotion or termination. Job security to workers will increase productivity.
- **Recognition**: Most people would like to receive recognition for work that have been done exceptionally well. Those workers when greeted, works as incentives for them for further betterment.
- **Participation**: As a motivation tool, participation travels under various to titles like democratic management, buttom up management, workers participation on management or decision making etc. Greater employee participation on decision making and policy formulation motivate employee.
- **A sincere interest in subordinates as individual person**: This behaviour of manager or supervisor creates the feeling on worker that senior's are noticing his works.
- **Pride job**: Various technique can be employed to develop pride in work. Good product, dynamic leadership, fair treatment, service to community, ethical conduct and many other things serve to stimulate an employee's pride in his company.
- **Delegation of responsibility**: Delegation of the right and obligation to execute a given task often proves to be a strong motivating factor. When supervisor trust his workers by delegaating authority, it stimulate the workmen to show better results.
- **Other incentives**: Under this caption may be included the incentives like quick promotion, provision of facilities for technical trainings, provision for labor welfare etc.