



॥ सरस्वती नः सुभगा मयस्कल् ॥  
Uttar Pradesh Rajarshi Tandon  
Open University

# M.Com.-405

## Human Resource Management-II

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## Human Resource Management-II

### Block

# 1

### Training and Development

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UNIT-1	Executive Development Programme	3-16
UNIT-2	Management Development	17-30

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**परिमापक**

**परिमापक**

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अनुवाद की स्थिति में

मूल लेखक	अनुवाद
मूल सम्पादक	भाषा सम्पादक
मूल परिमापक	परिमापक

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**प्रूफ रीडर**

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# UNIT 1

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## EXECUTIVE DEVELOPMENT PROGRAMME

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### Objectives

After studying this unit, you would be able to understand the:

Meaning, principles, characteristics, factors which influence Executive development program.

Why executive development Programme is needed.

How to assess present executives talent,

The training requirement for executive development.

Process of executive development programme and its evaluation.

### Unit Structure

#### 1.1 Meaning of Executive Development Programme

##### 1.1.1 Characteristics of Executive Development

#### 1.2 Factors Influencing Executive Development

##### 1.2.1 Principle of Executive Development

#### 1.3 The Process

##### 1.3.1 Analysis of Development Needs

##### 1.3.2 Appraisal of Present Managerial Talent

##### 1.3.3 Inventory of Executive Manpower

##### 1.3.4 Planning Individual Development Programmes

##### 1.3.5 Establishing Training and Development Programmes

##### 1.3.6 Evaluating Development Programmes

#### 1.4 Methods of Executive Development

**Introduction:** Executive development consists of all the means that improve his/her performance and behaviour. Executive development helps understand cause and effect relationship, synthesizes from experience, visualizes relationships or thinks logically. That is why some behavioural scientists suggest that the executive development is predominantly an educational process rather than a training process. Flippo has viewed that “executive/management development includes the

## **Training and Development**

process by which managers and executives acquire not only skills and competency in their present jobs but also capabilities for future managerial tasks of increasing difficulty and scope". Executive development being a predominantly educational process is a continuous and life-long process. It is not like training as a one-shot programme but an on-going continuous programme throughout the career of an executive or manager.

Like any kind of learning, executive development is based on the assumption that there always exists a gap between what an executive performs and what he/she can. Executive development harnesses this untapped potential.

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### **1.1 EXECUTIVE DEVELOPMENT PROGRAMME:**

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**Executive development** includes all the activities aimed at developing the skills and competencies of those that (will) have executive position in organisations. While "executive" and "manager" and "leader" are often used interchangeably, "executive" is commonly used to signify the top 5% or 10% of the organization. Similarly, "development" and "training" and "education" are often used as synonyms, however, "development" is generally seen as the more encompassing of the three in terms of activities that build skills and competencies.

"Executive Development is a planned, systematic and continuous process of learning and growth by which managers develop their conceptual and analytical abilities to manage."

While it is typical to find organizations that have dedicated corporate training and development to people and processes, it is not always the case that an organization will have a dedicated executive development set of activities. In some organizations (typically large multinationals), there is a separate executive development team, in other organizations executive development is handled as one of many activities by the larger corporate training group, and in yet other scenarios there is no executive development activity to speak of.

In contrast to other corporate training and development activities, which have as their core purpose to build tactical skills for employees, executive development plays a different role for the organization. Indeed some executive development is conducted for the purpose of building tactical skills (sometimes referred to as "hard skills" such as business fundamentals, finance, marketing, operations and also "soft skills" such as communication and team building), yet executive development is also used to evaluate future potential future executives as well as a mechanism for the CEO and the executive team to cascade their strategies, goals, and even elements of the culture to the rest of the management team and ultimately the organization. In the best of the cases, executive development not only helps an organization execute its key strategies, it can also help provide input to the strategy creation process. In this way,

executive development is much more strategic than typical corporate training and development which is used for most employees of an organization.

### **11.1.1 Characteristics of Executive Development:**

The characteristics of executive development are as following:-

**Executive Development Programme**

- a) Executive development is a planned and organized process of learning.
- b) It is an ongoing and never ending exercise.
- c) Executive development is a long term process as managerial skills cannot be developed overnight.
- d) It aims at preparing managers for managers job.

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## **1.2 FACTORS INFLUENCING EXECUTIVE DEVELOPMENT**

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### **11.2.1 Principles of Executive Development**

Top Management should accept responsibility for executive development. A senior executive should be made in charge of initiating and implementing the company's executive development programmes.

Every manager must accept direct responsibility for developing the executives under his control on the job.

Executive development programme must be geared to the needs of the company and the individual.

Define strategy spelling out the Objectives, Coverage and the type of executive development programmes should be formulated. A realistic time schedule for the development of executive personnel should be prepared keeping in view the present and future needs of the organization. Executive development begins with the selection of right man for the executive positions. Thus good persons should be fed into executive development programme at all entry level.

### **1.2.2 Key Factors Identified for Executive Development are as follows:-**

1. HRD Environment: Executive programmes, no matter how well designed may not perform if environment is unsuitable as they will create lot of barriers in their performance.
2. Goal Clarity: One of the most important factor for the success of any executive development programme is goal clarity. Managers must have in mind a clear picture of the goal they want to achieve. If this clarity does not exist they cannot be sure about how they are progressing.

## Training and Development

3. Motivation : If no incentive is perceived by participants for attending Executive Development then success of that programme is not possible. People usually do things for two reasons:
  - 1) If it gives advantage to them; and
  - 2) If it serves someone else purpose and they do it for something in return for doing it. Self-interest and incentives are the two significant motivators.
4. Review of what is being done and what is being accomplished is very important for executive development programme. Constant review of every activity from planning stage to the performance stage is an essential focal point of Executive Development Programme.

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### 1.3 PROCESS OF EXECUTIVE DEVELOPMENT

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- 3.3.1 Analysis of development needs
- 3.3.2 Appraisal of present managerial talent
- 3.3.3. Inventory of executive manpower
- 3.3.4 Planning individual development programmes
- 3.3.5 Establishing training and development programmes
- 3.3.6 Evaluating development programmes

This can be shown by the following diagram :

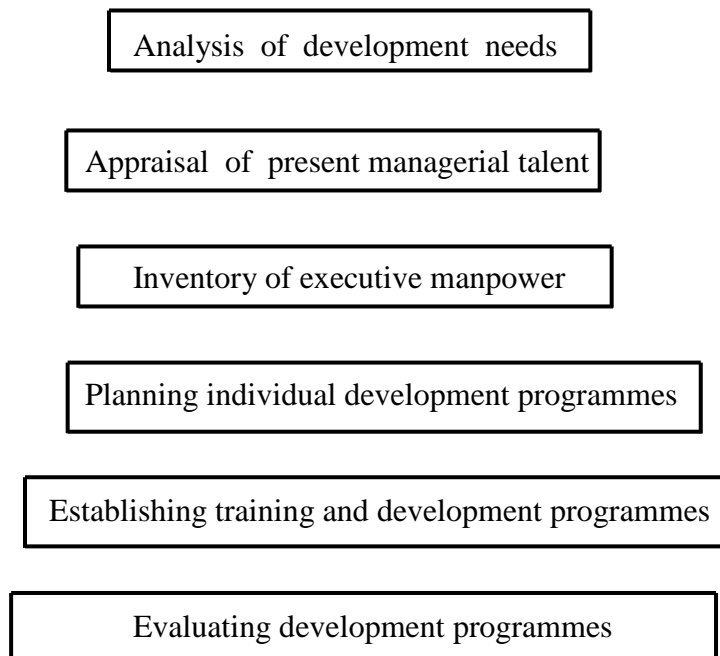


Figure 1 : Process of Executive Development Programme



### **1.3.1 Analysis of Development Needs :-**

- Present and future development needs of the organization are ascertained.
- Determination of number and type of executives are required to meet the present and future needs of the enterprise. **Executive Development Programme**
- Focuses is on organizational planning.
- Critical analysis of the organization structure in the light of future plans, i.e.
  - i) Department needs
  - ii) Function
  - iii) Key executive functions
- Finally job description and job specifications are prepared for all executive positions.

### **1.3.2 Appraisal of Present Managerial Talent :-**

- Qualitative assessment of the existing executives is made to determine the type of executive talent available within the organization.
- Every Executive's performance is compared with the standard expected.

### **11.3.3 Inventory of Executive Manpower :-**

- Inventory is prepared to obtain complete information about each executive.
- Data on
  - i) Age
  - ii) Education
  - iii) Experience
  - iv) Health
  - v) Test results and
  - vi) Performance appraisal results are collected.
- All this information is maintained on cards of each executive.
- This indicates the strength and deficiencies of executives.
- The gaps are rectified to fulfill the future needs of the organization.

### **1.3.4 Planning Individual Development Programmes :-**

Each individual has a unique set of physical, intellectual and emotional characteristics. Therefore, development plan should be designed individually.

### **1.3.5 Establishing Training and Development Programmes**

- HRD prepares comprehensive and well conceived programmes.
- The department identified development needs and may launch specific courses in fields of
  - i. Leadership
  - ii. Decision making
  - iii. Human relations etc.
- HRD also recommends specific executive development programmes organized by well known institute of management.
- On the basis of recommendations top management nominates the executives at the cost of the company.

### **1.3.6 Evaluating Development Programmes :-**

- Programme evaluation will reveal the relevance of the development programmes.
  - i) Observation of the trainee's behaviour
  - ii) Opinion surveys
  - iii) Interviews
  - iv) Tests and change in productivity
  - v) Quality
  - vi) Cost etc. can be used to evaluate development programmes.
- Evaluation is necessary to find out to what extent the programme Objectives have been achieved.

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## **1.4 Methods and Techniques of Executive Development**

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There are two methods of Executive Development :

- a) On the job techniques
- b) Off the job techniques

#### **On the job techniques**

1. Coaching

#### **Off the job techniques**

1. Lectures

- |                        |                         |
|------------------------|-------------------------|
| 2. Understudy          | 2. Group Discussions    |
| 3. Position rotation   | 3. Case Study Method    |
| 4. Multiple Management | 4. Conference Method    |
|                        | 5. Sensitivity Training |

**Executive Development Programme**

**On the job techniques :**

Let us discuss each one by one :

**a) Coaching :**

In this method,

- The superior guides and instructs the trainee as a coach.
- The coach sets mutually agreed upon goals.
- Suggests how to achieve the goals.
- Periodically reviews the trainee's progress.
- Suggests changes required in behaviour and performance.

**Advantages:**

1. It is learning by doing.
2. Every executive can coach his subordinate even if no executive development programme exists.
3. Periodic feedback and evaluation are a part of coaching.
4. It involves close interactions between the trainee and his boss.

**Disadvantages:**

1. It requires that the superior is a good teacher and guide.
2. The training atmosphere is not free from the worries of daily routine.
3. It involves close interactions between the trainee and his boss.

**b) Understudy:**

- In this method, a person is selected and being trained as the heir apparent to assume at a future time the full duties and responsibilities of the position presently held by his superior.
- In this way, a fully trained person becomes available to replace a senior during his long absence of illness, on his retirement, transfer, promotion or death.

## **Training and Development**

- The junior is generally assigned tasks which are closely related to the work in his section and he is deputed to attend executive meetings as a representative of his superior.

### **Advantages:**

- 1) Trainee receives continuous guidance from the senior and gets the opportunity to see the total job.
- 2) It is practical and time saving due to learning by doing.
- 3) Ensure continuity of management when the superior leaves his position.

### **Disadvantages:**

- 1) As one employee is identified in advance as the next occupant of a higher level managerial position, the motivation of other employees in the unit may be affected.
- 2) Under an over bearing senior, the understudy may lose its freedom of thought and action.

### **c) Position rotation:**

- Involves movement or transfer of executives from one position or job to another on some planned basis.
- Persons are moved from one position to another according to a rotation schedule.
- Also known as job rotation.
- Aim: to broaden the knowledge, skills, and outlook of executives.
- Often designed for junior executives.
- May continue for a period ranging from six months to two years.

### **Advantages:**

- 1) Helps to reduce monotony and boredom.
- 2) Facilitates inter-departmental cooperation and coordination.
- 3) Infuses new concepts and ideas.

### **Disadvantages :**

- 1) May cause disturbance in established operations.
- 2) Trainee executive may find it difficult to adjust himself to frequent moves.

- 3) It may upset family and home life when transfers are made to different geographical areas.

**d) Multiple management:**

- Technique developed by Charles P. McCormic Corporation of Baltimore, U.S.A.
- Under it, a Junior board of young executives is constituted.
- Major problems are analyzed in the junior board which makes recommendations to the Board of Directors.
- The young executives learn decision-making skills and the Board Directors receive the collective wisdom of the executive team. Vacancies in the Board of Directors can be filled from the junior board members who have received considerable exposure to problems and issues.

**Executive Development Programme**

**Advantages:**

- 1) Participants gain practical experience in group decision-making and teamwork.
- 2) This method helps to identify executive talent.
- 3) Relatively inexpensive method.

**Disadvantages:**

- 1) Specific attention to the developmental needs of executives is not possible.
- 2) This method is not suitable for lower level executives.

**Off the job techniques:**

**a) Lectures:**

- Formally organized talks by an instructor on specific topics.
- Lectures are essential when technical or special information of a complex nature is to be provided.
- Supplemented by discussions, case studies, demonstrations, audio-visual aids and film shows.
- A simple way of imparting knowledge to a large number of persons within a short time.
- More material can be presented within a given time than any other method.
- Used to introduce a subject, to reduce anxiety about upcoming training programmes or organizational changes.

**Limitations:**

## **Training and Development**

- One way communication.
- No participation and feedback from the audience.
- Audience loses attention quickly as they are passive listeners.
- Require great deal of preparation and speaking skills for which executives may lack time.
- The presentation of material has to be geared to a common level of knowledge.

### **Making of Effective Lectures:**

Lecture should be:

- Well planned
- Not be more than an hour.
- Made interesting through leading questions, guided discussions and audio-visual aids.

Lecturer should be:

- Competent and a good speaker.
- Should keep in mind the listener's needs and interest.

### **b) Group Discussions:**

- Variant of lecture method.
- Paper is prepared and presented by one or more trainees on the selected topic.

Followed by critical discussions.

Chairman of the discussion or seminar summarizes the contents of the papers and the discussions.

Often the material to be discussed is distributed in advance.

It enables the executives to learn from the experiences of each other.

### **c) Case Study:**

- Under this method, a real hypothetical business problem or situation demanding solution is presented in writing to the trainees.
- They are required to identify and analyze the problem.
- Suggest and evaluate alternative courses of action.
- Choose the most appropriate solution.
- The trainer guides the discussions and ensures that no relevant fact is overlooked.

### **Advantages:**

- Promotes analytical thinking and problem-solving skills.
- Encourages open-mindedness and provides a means of integrating interdisciplinary knowledge.

### **Disadvantages:**

- Time taking and expensive to prepare good case studies.
- A real life case may not be useful in different culture situations.

**Executive Development Programme**

### **Conference Method:**

- A formal meeting is conducted in accordance with an organized plan.
- Problems of common interest are discussed.
- Participants pool their ideas and experience to deal with problems effectively.
- A conference may be divided into the small groups (buzz sessions).
- These small group report back to the conference.
- This method stresses upon small group interactions and active participation of the trainees.
- Ideally suited for analyzing problems and issues and examining them from different view points.

Helps in:

- Developing conceptual knowledge,
- Reducing dogmatism and
- Modifying attitudes
- Suitable for a small group of 15 to 20 persons.

### **C) Sensitivity Training** developed by Kurt Lewin. Also called T-Group training and laboratory training.

Its purpose is to increase self-awareness, develop interpersonal competence and sharpen team work skills.

Trainees are brought together in a free and open environment wherein participants discuss themselves.

The discussion is lightly directed by a behavioural expert who creates the opportunity to express their ideas, beliefs and attitudes.

Focus is on a face to face interaction and confrontation.

Key words:

## **Training and Development**

HRD Environment : Environment which is suitable for growth and progress of personnels.

Understudy: Person who will take the position later is trained under the person whom he will replace.

Conference Method : A formal meeting is conducted in accordance with an organized plan

### **Self Assessment Questions :**

Discuss the process of executive development program.

Elaborate on methods of executive development program.

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# UNIT 2

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## MANAGEMENT DEVELOPMENT

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### Objectives

After studying this unit, you would be able to understand the:

- a) The aptitude to sustain good performance of managers throughout their careers by exploiting their full potential.
- b) Economic, technical and institutional forces in order to solve business problems.
- c) To acquire knowledge about problems of human resources.
- d) To think through problems which may confront the organization now or in the future.
- e) To develop responsible leaders and teams.
- f) To inculcate knowledge of human motivation and human relationship.
- g) To increase proficiency in management techniques such as work study, inventory control, operation research and quality control.

### Unit Structure

**2.1** Definitions & Characteristics of Management Development

**2.2** Management Development Programmes in India

**2.3** Team Building

**2.3.1** Steps to Building an Effective Team

**2.3.2** Stages of Team Building

**2.3.3** Conditions Necessary for Team Building

**2.3.4** Ten Qualities of an Effective Team Player

**Introduction:** Organizations select various people for managerial responsibilities through different sources. Some of them may not be efficient exactly for the job description as they were supposed to be. Because of changes in organizational goals, structures, level of technology, working procedures and etc., efficiency of existing managers also need to be updated. The Management Development Program (MDP) prepares you to become a better leader of your unit, department, or college, as well as a more valuable contributor to broader institutional goals.

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## **2.1 Definitions of Management Development**

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The term “development” implies overall development of a person. Accordingly, management development means not only improvement in job performance, but also improvement in knowledge, personality, attitude, behaviour of an executive, etc. It means that management development focuses more on management’s personal growth.

Management development is a systematic process of growth and development of the manager’s ability to manage. Management development is concerned with improving the performance of the managers by giving them opportunities for growth and development.

### **According to Flippo,**

“Executive development includes the process by which managers and executives acquire not only skills and competency in their present job but also capabilities for future managerial tasks of increasing difficulty and scope.”

### **According to P.N. Singh**

“Management Development is an activity designed to improve the performance of existing managers, Provide a supply of managers to meet the need of organizations in future and extend the understanding of the management activity by drawing from the following 3 resource areas:

- a) Knowledge
- b) Experience, and
- c) Trainee himself.

### **According to S.B. Budhhiraja,**

“Any activity designed to improve the performance of existing managers and to provide for a planned growth of managers to meet the future organizational requirements is management development.”

### **Characteristics of Management Development**

#### **1. Growth Oriented:**

Management development is growth oriented. It focuses its activities to enhance the skills, knowledge and capabilities to meet for the higher level responsibilities. After management development employees get the opportunity of higher responsibility which assists for personal growth.

#### **2. Future oriented:**

Management development is future oriented. Main objective of management development is to develop the human competencies for the future job responsibilities. On the basis of succession planning and market analysis, management development aims to

uplift the skills, knowledge and capabilities of managerial employees so that future demand can be fulfilled.

## **Management Development**

### **3. Focus to managerial employees:**

Management development focuses only to the managerial level employees. It prepares the educational programs to enhance interpersonal skills, decision skills, and technical skills to the managerial employees.

### **4. Educational process:**

Beyond training, management development is an educational program which stands in learning progress. It focuses on overall personality development for business communication, environmental and industry analysis, business planning, maintaining human and business relation, etc. This is possible only through educational programs.

### **5. Proactive:**

Management development is advance thinking. This aims to prepare human resources ready for any types of emergencies. It is not conducted only after realizing the need.

### **6. Self-motivation:**

Since management development is basis of personal growth. So, each manager wants to participate in such types of management development programs. External motivation is not necessary for management development as in training.

### **7. Behavioral change:**

Managerial development aims to enhance the knowledge and skills of managers. Such programs include different new techniques of doing job, supervising and motivating employees, and interpersonal communication. Such programs change the attitude and behavior of managers. The way of events and jobs are expected to be changed positively after the managerial development.

### **8. Continuous process:**

Management development is not spontaneous learning process. It is long term planned learning process. It starts with analysis of organizational objectives, future scopes, strategies and succession planning. As managers require involving in many managerial activities, they need to acquire different skills which are not possible in single program. So, managerial development must be arranged as continuous learning process.

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## 2.2 Management Development Programmes in India:

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Management Development Programmes have been organized after taking into account the need of present industry requirements and changes happening around the world. Theme based management development programmes are designed and conducted for members, corporate executives, entrepreneurs, businessman and students.

Many institutes offer management development programmes regularly with different themes, for e.g. IIM, Indore and Ahmedabad regularly offer various MDP programmes for various levels of executives in various industries. Ahmedabad management associations has already announced a list of MDPs which it is running this year, like Human Resource Management and Development, Achievement, Motivation, Enhancing Workplace Performance, etc.

The Centre for Executive Education (CEE) at ISB conducts programmes for working professionals that are designed to provide timely learning interventions that help them upskill and progress in their careers, while impacting the organisations that they operate in. Programmes are available across multiple business areas, for different seniority levels, in various national and international locations.

Over the years, CEE has evolved into a hub for meaningful exchange between business leaders and the academia. The center attracts some of the finest faculty from leading business schools and has become a knowledge centre for practical understanding on emerging economies. Participants learn from both the innovative management research of the faculty, as well as from the wide experience of fellow learners.

It provides an ideal platform for gaining new insights in order to be successful. Through its alumni initiatives, the centre reaches out to past participants and conducts knowledge events on management thought leadership. The programme design team at the CEE identifies current business and industry challenges through extensive research on business environment and discussion with industry experts, management thinkers and corporate leaders. This ensures that learning solutions at ISB remain relevant to the dynamic business scenarios.

### **CEE Advantage**

#### **Learning what is relevant to the market and to your business**

What you learn must be relevant to your business and your market. Hence our programme design team studies the challenges across industries and functions, and combines the learning with the latest findings in management research. Thus the programmes designed are most relevant to you in terms of issues addressed, ideas provided and pedagogy.

#### **Learning from the best of global faculty**

ISB CEE's unique combination of resident and visiting faculty model implies that each programme is delivered by the most relevant and experienced faculty in that domain. Thus you can be assured that you are learning from a globally-renowned in the subject being taught.

### **A like minded peer group**

A healthy exchange of ideas with fellow learners can enrich your classroom experience and can provide you with crucial insights. That is why we pre-screen all applicants for the programme. This along with expectation mapping of each participant means that you share the classroom with likeminded peers.

### **An active learning approach**

At CEE, learning is not confined to one-sided lectures. Instead the pedagogy combines lectures, case studies, simulations, discussions, etc., to ensure a holistic learning experience. To ensure you can apply your learning to solve your business problems, we help you articulate your business challenges and arrive at solutions during the course of programme.

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## **2.3 Team Building**

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A team is a collection of people who interact with each other regularly and are dependent on each other for the attainment of common goals. Team building removes hindrances and enhances organizational effectiveness and efficiency.

The key elements of a team are goal sharing, interdependence, commitment and accountability.

With good team-building skills, you can unit employees around a common goal and generate greater productivity. Without them, you limit yourself and the staff to the effort each individual can make alone.

Team building is an ongoing process that helps a work group evolve into a cohesive unit. The team members not only share expectations for accomplishing group tasks, but trust and support one another and respect one another's individual differences. Your role as a team builder is to lead your team toward cohesiveness and productivity. A team takes on a life of its own and you have to regularly nurture and maintain it, just as you do for individual employees. Your Development & Training Organization Development Consultant can advise and help you.

### **Team building can lead to:**

- Good communications with participants as team members and individuals.
- Increased department productivity and creativity
- Team members motivated to achieve goals

## **Training and Development**

- A climate of cooperation and collaborative problem-solving
- High levels of job satisfaction and commitment
- Higher levels of trust and support
- Diverse co-workers working well together
- Clear work objectives
- Better operating policies and procedures

### **2.3.1 Steps to Building an Effective Team:**

The first rule of team building is an obvious one: to lead a team effectively, you must first establish your leadership with each team member. Remember that the most effective team leaders build their relationships of trust and loyalty, rather than fear or the power of their positions.

- **Consider each employee's ideas as valuable.** Remember that there is no such thing as a stupid idea.
- **Be aware of employee's unspoken feelings.** Set an example to team members by being open with employees and sensitive to their moods and feelings.
- **Act as a harmonizing influence.** Look for chances to mediate and resolve minor disputes; point continually toward the team's higher goals.
- **Be clear when communicating.** Be clear to clarify directives.
- **Encourage trust and cooperation among employees on your team.** Remember that the relationships team members establish among themselves are every bit as important as those you establish with them. As the team begins to take shape, pay close attention to the ways in which team members work together and take steps to improve communication, cooperation, trust and respect in those relationships.
- **Encourage team members to share information.** Emphasize the importance of each team member's contribution and demonstrate how all of their jobs operate together to move the entire team closer to its goal.
- **Delegate problem-solving tasks to the team.** Let the team work on creative solution together.
- **Facilitate communication.** Remember that communication is the single most important factor in successful teamwork. Facilitating communication does not mean holding meeting all the time. Instead it means setting an example by remaining open to suggestions and concerns, by asking questions and offering help,

and by doing everything you can to avoid confusion in your own communication.

➤ **Establish team values and goals; evaluate team performance.**

Be sure to talk with members about the progress they are making toward established goals so that employees get a sense both of their success and of the challenges that lie ahead. Address teamwork in performance standards. Discuss with your team:

What do we really care about in performing our job?

What does the word success mean to this team?

What actions can we take to live up to our stated values?

➤ **Make sure that you have a clear idea of what you need to accomplish;** that you know what your standards for success are going to be; that you have established clear time frames; and that team members understand their responsibilities.

➤ **Use consensus.** Set objectives, solve problems and plan for action. While it takes much longer to establish consensus, this method ultimately provides better decisions and greater productivity because it secures every employee's commitment to all phases of the work.

➤ **Set ground rules for the team.** These are the norms that you and the team establish to ensure efficiency and success. They can be simple directives (Team members are to be punctual for meetings) or general guidelines (Every team member has the right to offer ideas and suggestions), but you should make sure that the team creates these ground rules by consensus and commits to them, both as group and as individuals.

➤ **Establish a method for arriving at a consensus.** You may want to conduct open debate about the pros and cons of proposals, or establish research committees to investigate issues and deliver reports.

➤ **Encourage listening and brainstorming.** As supervisor, your first priority in creating consensus is to stimulate debate. Remember that employees are often afraid to disagree with one another and that this fear can lead your team to make mediocre decisions. When you encourage debate you inspire creativity and that's how you'll spur your team on to better results.

➤ **Establish the parameters of consensus-building sessions.** Be sensitive to the frustration that can mount when the team is not achieving consensus. At the outset of your meeting, establish time limits, and work with the team to achieve consensus within those parameters. Watch out for false consensus; if an agreement is struck too quickly, be careful to probe individual team members to discover their real feelings about the proposed solution.

## **2.3.2 Stages of Team Building**

### **Stage I: Forming:**

In the forming stage, personal relations are characterized by dependence. Group members rely on safe, patterned behaviour and look to the group leader for guidance and direction. Group members have a desire for acceptance by the group and a need to be known that the group is safe. They set about gathering impressions and data about the similarities and differences among them and forming preferences for future sub-grouping. Rules of behaviour seem to be to keep things simple and to avoid controversy. Serious topics and feelings are avoided. The major task functions also concern orientation. Members attempt to become oriented to the tasks as well as to one another. Discussion centers around defining the scope of the task, how to approach it, and similar concerns. To grow from this stage to the next, each member must relinquish the comfort of non-threatening topics and risk the possibility of conflict.

### **Stage II: Storming:**

The next stage, which Tuckman calls Storming, is characterized by competition and conflict in the personal-relations dimension and organization in the task-functions dimension. As the group members attempt to organize for the task, conflict inevitably results in their personal relations. Individuals have to bend and mold their feelings, ideas, attitudes and beliefs to suit the group organization. Because of “fear of exposure” or “fear of failure”. There will be an increased desire for structural clarification and commitment. Although conflicts may or may not surface as group issues, they do exist. Questions will arise about who is going to be responsible for what, what the rules are, what the reward system is and what criteria for evaluation are. These reflect conflicts over leadership, structure, power and authority. There may be wide swings in member’s behaviour based on emerging issues of competition and hostilities. Because of the discomfort generated during this stage, some members may remain completely silent while others attempt to dominate.

In order to progress to the next stage, group members must move from a “testing and proving” mentality to a problem-solving mentality. The most important trait in helping groups to move on to the next stage seems to be the ability to listen.

### **Stage III: Norming:**

In Tuckman’s Norming stage, interpersonal relations are characterized by cohesion. Group members are engaged in active acknowledgement of all member’s contributions, community building and maintenance and solving of group issues. Members are willing to change their preconceived ideas or opinions on the basis of facts presented by other members and they actively ask questions from one another. Leadership is shared and cliques are dissolved. When members begin to know-and identify with-one another, the level of trust in their personal



relations contributes to the development of group cohesion. It is during the stage of development (assuming the group gets this far) that people begin to experience a sense of group belonging and a feeling of relief as a result of resolving interpersonal conflicts.

The major task function of stage three is the data flow between group members: They share feelings and ideas, solicit and give feedback to one another and explore actions related to the task. Creativity is high. If this stage of data flow and cohesion is attained by the group members, their interactions are characterized by openness and sharing of information on both a personal and task level, They feel good about being part of an effective group.

The major drawback of the Norming stage is that members may begin to fear the inevitable future breakup of the group; they may resist change of any sort.

### **Stage IV: Performing:**

The performing stage is not reached by all groups. If group members are able to evolve to stage four, their capacity, range and depth of personal relations expand to true interdependence. In this stage, people can work independently, in subgroups or as a total unit with equal facility. Their roles and authorities dynamically adjust to the changing needs of the group and individuals. Stage four is marked by interdependence in personal relations and problem solving in the realm of task functions. By now, the group should be most productive. Individual members have become self-assuring and the need for group approval is past. Members are both highly task oriented and highly people oriented. There is unity: group identity is complete, group morale is high and group loyalty is intense. The task function becomes genuine problem solving, leading toward optimal solutions and optimum group development. There is support for experimentation in solving problems and an emphasis on achievement. The overall goal is productivity through problem solving and work.

### **Stage V: Adjourning:**

Tuckman's final stage, Adjourning, involves the termination of task behaviors and disengagement from relationships. A planned conclusion usually includes recognition for participation and achievement and an opportunity for members to say personal goodbyes. Concluding a group can create some apprehension-in effect, a minor crisis. The termination of the group is a regressive movement from giving up control to giving up inclusion in the group. The most effective interventions in this stage are those that facilitate task termination and the disengagement process.

### **2.3.3 Conditions necessary for Team Building:**

- Clear objectives and agreed goal

## **Training and Development**

- Openness and confrontation
- Support and trust
- Cooperation and conflict
- Sound procedures
- Regular review
- Individual development
- Sound intergroup relations

### **2.3.4 Ten Qualities of an Effective Team Player:**

If you were choosing team members for a business team in your organization, who would the best team players be? Assuming that people have the right technical skills for the work to be done, what other factors would you use to select your team members?

#### **Demonstrate reliability:**

You can count on a reliable team member who gets work done and does his fair share to work hard and meet commitments. He or she follows through on assignments. Consistency is key. You can count on him or her to deliver good performance all the time, not just some of the time.

#### **Communicates constructively:**

Teams need people who speak up and express their thoughts and ideas clearly, directly, honestly and with respect for others and for the work of the team. That's what it means to communicate constructively. Such a team member does not shy away from making a point but makes it in the best way possible-in a positive, confident and respectful manner.

#### **Listens actively:**

Good listeners are essential for teams to function effectively. Teams need team players who can absorb, understand and consider ideas and points of view from other people without debating and arguing every point. Such a team member also can receive criticism without reacting defensively. Most important, for effective communication and problem solving, team members need the discipline to listen first and speak second so that meaningful dialogue results.

#### **Functions as an active participant:**

Good team players are active participants. They come prepared for team meetings and listen and speak up in discussions. They're fully engaged in the work of the team and do not sit passively on the sidelines. Team members who function as active participants take the initiative to help make things happen and they volunteer for assignments. Their whole

approach is can-do: “What contribution can I make to help the team achieve success”?

## **Management Development**

### **Shares openly and willingly:**

Good team players share. They’re willing to share information, knowledge and experience. They take the initiative to keep other team members informed.

Much of the communication within teams takes place informally. Beyond discussion at organized meetings, team members need to feel comfortable talking with one another and passing along important news and information day-to-day. Good team players are active in this informal sharing. They keep other team members in the loop with information and expertise that helps get the job done and prevents surprises.

### **Cooperates and pitches in to help:**

Cooperation is the act of working with others and acting together to accomplish a job. Effective team players work this way by second nature. Good team players, despite differences they may have with other team members concerning styles and perspective, figure out ways to work together to solve problems and get work done. They respond to requests for assistance and take the initiative to offer help.

### **Exhibits flexibility:**

Strong team players care about their work the team and the team’s work. They show up every day with this care and commitment up front. They want to give a good effort and they want other team members to do the same.

### **Works as a problem-solver:**

Teams, of course, deal with problems. Sometimes, it appears, that’s the whole reason why a team is created-to address problems. Good team players are willing to deal with all kinds of problems in a solution-oriented manner. They’re problem-solvers, not problem-dwellers, problem-blamers, or problem-avoiders. They don’t simply rehash a problem the way problem-dwellers do. They don’t look for others to fault, as the blamers do. And they don’t put off dealing with issues, the way avoiders do.

Team players get problems out in the open for discussion and then collaborate with others to find solutions and form action plans.

### **Treat others in a respectful and supportive manner:**

Team players treat fellow team members with courtesy and consideration-not just some of the time but consistently. In addition they show understanding and the appropriate support of other team members to help get the job done. They don’t place conditions on when they’ll provide assistance, when they’ll choose to listen, and when they’ll share

## **Training and Development**

information. Good team players also have a sense of humour and know how to have fun (and all teams can use a bit of both), but they don't have fun at someone else's expense. Quite simply, effective team players deal with other people in a professional manner.

Team players who show commitment don't come in any particular style or personality. They don't need to be rah-rah, cheerleader types. In fact they may even be soft-spoken but they aren't passive. They care about what the team is doing and they contribute to its success-without needing a push.

Team players with commitment look beyond their own piece of the work and care about the team's overall work. In the end, their commitment is about winning –not in the sports sense of beating your opponent but about seeking the team succeed and knowing they have contributed to this success. Winning as team is one of the great motivators of employee performance. Good team players have and show this motivation.

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### **Key words**

Management development: It is a systematic process of growth and development of the manager's ability to manage

**Self-motivation: Internal drive motive to do well.**

(CEE): The Centre for Executive Education

Adjourning: involves the termination of task behaviors and disengagement from relationships

Norming stage: interpersonal relations are characterized by cohesion.

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### **Self assessment questions**

- 1) Define Management Development programme.
- 2) Discuss the characteristics of management Development.
- 3) What are the steps of team building?
- 4) What are the 10 qualities of effective team worker?

**Write short notes on:**

- A CEE advantage
- B Storming and Forming
- C Team building advantages

**D** Team works as a problem solver?

**Management  
Development**

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Uttar Pradesh Rajarshi Tandon  
Open University

# M.Com-405

## Human Resource Management-II

**Block**

**2**

### **Appraisal System**

<b>UNIT-3</b>	<b>Performance Appraisal</b>	<b>33-46</b>
<b>UNIT-4</b>	<b>Compensation Administration</b>	<b>47-58</b>
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परिशिष्ट-4

आन्तरिक कवर-दो का प्ररूप

**Format of the II Inner Covers**

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**परिमापक**

**परिमापक**

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अनुवाद की स्थिति में

मूल लेखक	अनुवाद
मूल सम्पादक	भाषा सम्पादक
मूल परिमापक	परिमापक

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**प्रूफ रीडर**

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## UNIT 13

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### PERFORMANCE APPRAISAL

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#### Objectives:

After studying this unit, you would be able to understand the:

1. Background to the measurement of performance in organisations.
2. The types of performance appraisal tools and processes used in organisations.
3. Discuss organisational issues in the measurement of performance and the feedback of performance data.
4. Identify and discuss the various influences on different stakeholders in the performance appraisal process.
5. Highlight some of the difficulties involved in collecting and using performance data in organisations and appreciate how occupational psychologists can help organisations to improve these processes.
6. Review current trends in professional practice and contemporary research.

#### Unit Structure

- 3.1 Meaning and Concepts
- 3.2 Purpose of Performance Appraisal
- 3.3 Procedure of Performance Appraisal
- 3.4 Techniques of Performance Appraisal
  - 3.4.1 Traditional Methods
  - 3.4.2 Modern Methods
- 3.5 Job Evaluation
  - 3.5.1 Objectives
  - 3.5.2 Merits and Demerits of Job Evaluation
    - 3.5.2.1 Merits
    - 3.5.2.2 Demerits

**Introduction:** A performance appraisal is a method by which the job performance of an employee is documented and evaluated. Performance appraisals are a part of career development and consist of regular reviews of employee performance within organizations. It is a

systematic general and periodic process that assesses an individual employee's job performance and productivity in relation to certain pre-established criteria and organizational objectives. Other aspects of individual employees are considered as well, such as organizational citizenship behavior, accomplishments, potential for future improvement, strengths and weaknesses, etc.

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### **3.1 Meaning and Concepts**

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Performance appraisal is the process of obtaining, analyzing and recording information about the relative worth of an employee. The focus of the performance appraisal is **measuring and improving** the actual performance of the employee and also the future potential of the employee. Its aim is to measure what an employee does.

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

**According to Dale Beach**, "Performance Appraisal is the systematic evaluation of the individual with regards to his or her performance on the job and his potential for development."

Performance appraisal is a systematic way of reviewing and assessing the performance of an employee during a given period of time and planning for his future. It is a powerful tool to calibrate, refine and reward the performance of the employee. It helps to analyze his achievements and evaluate his contribution towards the achievements of the overall organizational goals. By focusing the attention on performance, performance appraisal goes to the heart of **personnel management** and reflects the management's interest in the progress of the employees.

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### **3.2 Purpose of Performance Appraisal**

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**Performance Appraisal** is being practices in 90% of the organizations worldwide. Self-appraisal and potential appraisal also form a part of the performance appraisal processes.

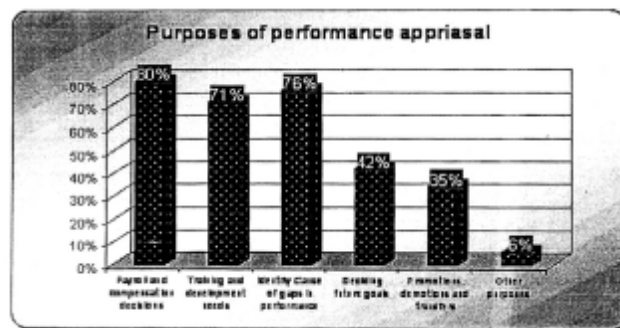
**Typically, Aims of Performance Appraisal are as follows:**

- To review the performance of the employees over a given period of time.
- To judge the gap between the actual and the desired performance.
- To help management in exercising organizational control.
- To reduce the grievances of the employees.
- Helps to strengthen the relationship and communication between superior-subordinates and management-employees.

## Performance Appraisal

- To diagnose the strengths and weaknesses of the individuals so as to identify the training and development needs of the future.
- To provide feedback to the employees regarding their past performance.
- Provide clarity of the expectations and responsibilities of the functions to be performed by the employees.
- To judge the effectiveness of the other human resource functions of the organization such as recruitment, selection, training and development.
- Provide information to assist in the HR decisions like promotions, transfers, etc.

According to a recent survey, the **percentage of organizations** (out of the total organization surveyed i.e. 50) using performance appraisal for the various purposes are as shown in the diagram below:



The most significant reasons of using Performance Appraisal are:

- Making payroll and compensation decisions-80%
- Training and development needs-71%
- Identifying the gaps in desired and actual performance and its cause-76%
- Deciding future goals and course of action-42%
- Promotions, demotions and Transfers-49%
- Other purposes -6% (including job analysis and providing superior support, assistance and counseling)

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### 3.3 Procedure of Performance Appraisal

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The Performance Appraisal process involves the following steps:

- a) Establishing Performance Standards
- b) Communicating the Standards

- c) Measuring the Actual Performance
- d) Comparing the Actual with the Desired Performance
- e) Providing Feedback
- f) Taking Corrective Action

Let us discuss each step one by one in detail

**a) Establishing Performance Standards:**

The first step in the **process of performance appraisal** is the setting up of the standards which will be used as the base to compare the actual performance of the employees. This step requires setting the criteria to judge the performance of the employees as successful or unsuccessful and the degrees of their contribution to the organizational goals and objectives. The standard set should be clear, easily understandable and in measurable terms.

**b) Communicating the Standards:**

Once set, it is the responsibility of the management to communicate the standards to all the employees of the organization. The employees should be informed and the standards should be clearly explained to them. This will help them to understand their roles and to know what exactly is expected from them. The standards should also be communicated to the appraisers or the evaluators and if required, the standards can also be modified at this stage itself according to the relevant feedback from the employees or the evaluators.

**c) Measuring the Actual Performance:**

The most difficult part of the Performance Appraisal process is measuring the actual performance of the employees that is the work done by the employees during the specified period of time. It is a continuous process which involves monitoring the performance throughout the year. This stage requires the careful selection of the appropriate techniques of measurement, taking care that personal bias does not affect the outcome of the process and providing assistance rather than interfering in an employees work.

**d) Comparing the Actual with the Desired Performance:**

The actual performance is compared with the desired or the standard performance. The comparison tells the deviations in the performance of the employees from the standard set. The result can show the actual performance being more than the desired performance or, the actual performance being less than the desired performance depicting a negative deviation in the organizational performance. It includes recalling, evaluating and analysis of data related to the employee's performance.

**e) Providing Feedback:**

## Performance Appraisal

The **result of the appraisal** is communicated and discussed with the employees on one-to one basis. The focus of this discussion is on communication and listening. The results, the problems and the possible solutions are discussed with the aim of problem solving and reaching consensus. The feedback should be given with a positive attitude as this can have an effect on the employee's future performance. The purpose of the meeting should be to solve the problems faced and motivate the employees to perform better.

### f) Taking Corrective Action:

The last step of the process is to take decisions which can be taken either to improve the performance of the employees, take the required corrective actions, or the related HR decisions like rewards, promotions, transfers, etc. Thus, the process of performance appraisal moves in the following manner:

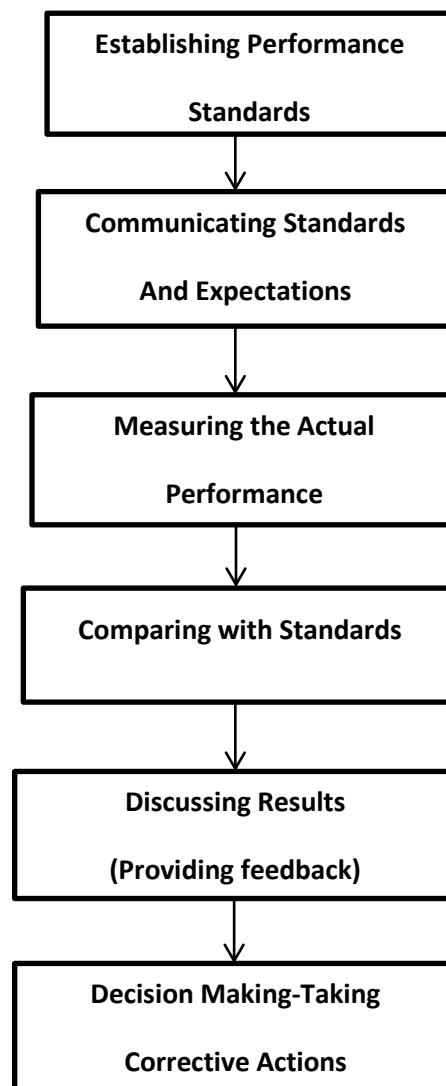
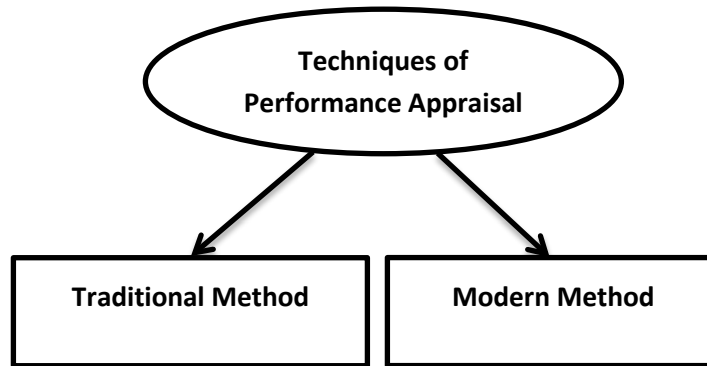


Figure 1: Procedure of Performance Appraisal

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## 3.4 Techniques of Performance Appraisal

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### 3.4.1 Traditional Methods:

These methods lay more emphasis on rating of individual's personality traits, such as, initiative, dependability, drive, creativity, integrity, intelligence, leadership potential, etc.

These are some of the traditional methods:

- Ranking Method
- Paired Comparison Method
- Forced Distribution Method
- Forced Choice Method
- Critical Incident Method
- Check List Method
- Field Review Method
- Graphic Rating Scale
- Essay Method
- Confidential Report
- Person-to-Person Method

In the following pages each method has been described in brief:

#### a) **Ranking Method:**

It is the oldest and simplest method of performance appraisal. In this method the employee is ranked from the highest to the lowest or from best to worst. Thus, if there are ten employees the Best employee is given the first rank and the worst employee in the group is given the tenth rank.

However, this method has some limitation, namely:

- (1) It is difficult to adopt this method, in case of evaluating large number of employees.

- (2) It is difficult to compare one individual with other having varying behavioural traits. **Performance Appraisal**

**b) Paired Comparison Method:**

In this method, each employee is compared with the other on one-to-one basis. This method makes judgment easier as compared to ranking method. The number of times the employee is rated as better in comparisons with other determines his or her final ranking. The total number of comparison can be ascertained by the following formula:

$$\text{Total Number of Comparison} = N \times (N-1) / 2$$

Where N stands for number of employees to be evaluated.

The concept can be illustrated with the help of the following example. If the following five students Ashok (A), Bina (B), Chitra (C), Dinesh (D), Eillen (E) have to be evaluated for the best student award, the total number of comparison would be=10 A with B, A with C, B with C, A with D, B with D, C with D, A with E, B with E, C with E and D with E. The number of times a student gets a better score, would be the basis for selecting the Best Student. This method is not appropriate if a large number of students are required to be evaluated.

**c) Forced Distribution Method:**

This technique was contributed by Joseph Tiffin. The method operates under the assumption that an employee's performance can be plotted in a bell shaped curve. Here 10% of the employees are given excellent grade, 20% are given good grade, 40% are given the average grade, next 20% are given the below average grade and last 10% are given unsatisfactory grade.

**Advantages** – Eliminates

**Disadvantages** – Assumption of normal distribution, unrealistic, errors of central tendency occur.

**d) Forced Choice Method:**

This method was contributed by J. P. Guilford. Here, an evaluator rates an employee on the basis of a group of statements. These statements are a combination of positive and negative statements and are arranged in blocks of two or more. The rater is required to identify the most or least descriptive statement pertaining to an employee. For example:

- 1) Provides clear guidance to employees.
- 2) Can be dependable in completing the assignment on hand.
- 3) Is reliable and trustworthy.
- 4) Is partial to some employees.

**Advantages** – Absence of personal biases because of forced choice.

**Disadvantages** – Statements may be wrongly framed.

**e) Check-list Method:**

The main purpose of this method is to reduce the evaluator's burden of rating the employee. In this method a dichotomous questionnaire (A question with two answer choices, namely 'Yes' or 'No') is used. A rater is required to put a tick mark against the respective column.

The questionnaire is prepared and scored by the HR department.

**Advantages** –Economy, ease of administration, limited training required, standardization.

**Disadvantages** – Raters biases, use of improper weighs by HR, does not allow rater to give relative ratings.

A typical check list is given below:

**Table: Check list for Students:**

1. Is the student regular
2. Is he/she disciplined
3. Does he/she complete the assignment on time
4. Does he/she participate in extra-curricular activities.

**f) Critical Incidents Method:**

This method evaluates an employee on the basis of certain 'events' or 'episodes' known as critical incident. The underlying principle of this method is "there are certain significant acts in each employee's behaviour and performance, which can make all the difference between success and failure on the job." Thus, in this method the rater focuses his attention on all those factors that can make a difference between performing a job in a noteworthy manner.

**Advantages** – Evaluations are based on actual job behaviours, ratings are supported by descriptions, feedback is easy, reduces recency biases, chances of subordinate improvement are high.

**Disadvantages** – Negative incidents can be prioritized, forgetting incidents, too close supervision; feedback may be too much and may appear to be punishment.

**g) Field Review Method:**

If during the appraisal process there are reasons to believe that the employee is given a higher rating because of rater bias, a review process is initiated. The review process is generally conducted by the personnel officer of the HR department.



This method is also used for making promotional decisions at the managerial level and when information is required from employees of different units and locations. **Performance Appraisal**

**Advantages** – Useful for managerial level promotions, when comparable information is needed.

**Disadvantages** – Outsider is generally not familiar with employee's work environment. Observation of actual behaviours is not possible.

#### **h) Graphic Rating Scale:**

This is the most commonly used method of evaluating an employee's performance. Rating scales consists of several numerical scales representing job related performance criteria, such as, dependability, initiative, output, attendance, attitude, etc. Each scale ranges from excellent to poor. The total numerical scores are computed and final conclusions are derived.

Here the Questionnaire consists of more than 2 answer choices. The Questionnaire consists of set of questions covering aspects, such as:

- Employee Characteristics (includes factors, such as, initiative, leadership, dependability, attitude, loyalty, creative ability, analytical ability etc.)
- Employee Contribution (includes factors, such as, Quantity and Quality of work, Specific goals achieved, regularity, attitude and approach towards supervisors and colleagues, etc.)

**Advantages** – Adaptability, easy to use, low cost, every type of job can be evaluated, large number of employees covered, no formal training required.

**Disadvantages** – Rater's biases.

#### **i) Essay Method:**

In this method, the rater writes a narrative description of an employee's strengths, weaknesses, past performance, potential and suggestions for improvement. As there is no prescribed format, the length and content of essay is likely to vary. Similarly, the quality of Essay would depend upon the rater's writing skills. As the essays are descriptive in nature, it only provides qualitative information about the employee.

**Advantage** – It is extremely useful in filling information gaps about the employees that often occur in a better-structured checklist.

**Disadvantages** – It is highly dependent upon the writing skills of rater and most of them are not good writers. They may get confused, success depends on memory power of raters.

#### **j) Confidential Report:**

Mostly used by government departments, however, it's application in industry is not ruled out. Here the report is given in the form of Annual Confidential Report (ACR) and may record ratings with respect to following items: attendance, self-expression, team-work, leadership, initiative, technical ability, reasoning ability, originality and resourcefulness, etc. The system is highly secretive and confidential. Feedback to the assessee is given only in case of an adverse entry. Disadvantage is that it is highly subjective and ratings can be manipulated because the evaluations are linked to HR actions like promotions etc.

### **3.4.2 Modern Methods:**

Modern methods were devised to improve the traditional methods. It attempted to improve the shortcomings of the old methods, such as, biasness, subjectivity, etc.

These are some of the modern methods:

- MBO
- BARS
- Assessment Centres
- 360° Appraisal
- Cost Accounting

In the following pages each method has been described in brief.

#### **a) Management by Objectives:**

It means management by objectives and the performance is rated against the achievement of objectives stated by the management. MBO process goes as under:

- Establish goals and desired outcomes for each subordinate
- Setting performance standards
- Comparison of actual goals with goals to be attained by the employee
- Establish new goals and new strategies for goals not achieved in previous year.

**Advantage** – It is more useful for managerial positions.

**Disadvantages** – Not applicable to all jobs, allocation of merit pay may result in setting short-term goals rather than important and long-term goals etc.

#### **b) Behaviorally Anchored Rating Scales:**

Statements of effective and ineffective behaviours determine the points. They are said to be behaviorally anchored. The rater is supposed to say, which behaviour describes the employee performance.

**Advantages** – Helps overcome rating errors.

**Disadvantages** – Suffers from distortions inherent in most rating techniques.

**c) Assessment Centers:**

This technique was first developed in USA and UK in 1943. An assessment center is a central location where managers may come together to have their participation in job related exercises evaluated by trained observers. It is more focused on observation of behaviours across a series of select exercises or work samples. Assesses are requested to participate in basket exercises, work groups, computer simulations, role playing and other similar activities which require same attributes for successful performance in actual job. The characteristics assessed in assessment center can be assertiveness, persuasive ability, communicating ability, planning and organizational ability, self confidence, resistance to stress, energy level, decision making, sensitivity to feelings, administrative ability, creativity and mental alertness, etc. Disadvantages-Cost of employees traveling and lodging psychologists, ratings strongly influenced by assesse's inter-personal skills. Solid performers may feel suffocated in simulated situations. Those who are not selected for this also may get affected.

**Advantages** – Well-conducted assessment centre can achieve better forecasts of future performance and progress than other methods of appraisals. Also reliability, content validity and predictive ability are said to be high in assessment centers. The tests also make sure that the wrong people are not hired or promoted. Finally it clearly defines the criteria for selection and promotion.

**d) 360-Degree Feedback:**

It is a technique which is systematic collection of performance data on an individual or group, derived from a number of stakeholders like immediate supervisors, team members, customers, peers and self. In fact anyone who has useful information on how an employee does a job may be one of the appraisers. This technique is highly useful in terms of broader perspective, greater self-development and multi-source feed-back is useful. 360-degree appraisals are useful to measure inter-personal skills, customer satisfaction and team building skills. However, on the negative side, receiving feedback from multiple sources can be intimidating, threatening, etc. Multiple raters may be less adept at providing balanced and objective feedback.

**e) Cost Accounting Method :**

Here performance is evaluated from the monetary returns yields to his or her organization. Cost to keep employee and benefit the organization derives is ascertained. Hence it is more dependent upon cost and benefit analysis.

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## **13.5 Job Evaluation: Meaning and Concepts**

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An assessment of the relative worth of various jobs on the basis of a consistent set of job and personal factors, such as, qualifications and skills required.

**According to Kimball and Kimball**, “Job evaluation represents an effort to determine the relative value of every job in a plant and to determine what the fair basis wage for such a job should be.”

Job evaluation is different from performance appraisal. In job evaluation, worth of a job is calculated while in performance appraisal, the worth of employee is rated.

### **3.5.1 Objectives of Job Evaluation:**

**The objectives of job evaluation, to put in a more systematic manner are to:**

1. Establish a standard procedure for determining the relative worth of each job in an organization;
2. Ensure equitable wage for a job and reasonable wage differentials between different jobs in a hierarchical organization;
3. Determine the rate of pay for each job which is fair and equitable with relation to other jobs in the plant, community or industry;
4. Eliminate wage inequalities;
5. Use as a basis for fixing incentives and different bonus plans;
6. Promote a fair and accurate consideration of all employees for advancement and transfer;
7. Provide information for work organization, employees selection, placement, training and other similar purposes;
8. Provide a bench mark for making career planning for the employees in the Organization; and
9. Ensure that similar wages are paid to all qualified employees for similar work.

### **3.5.2 Merits and Demerits of Job Evaluation:**

#### **3.5.2.1 Merits:**

The job classification method has several advantages. The major merit of the method are:

1. This method is easy to understand and simple to operate.
2. It is economical and, therefore, suitable for small organisations.

3. The grouping of jobs into classifications makes pay determination problems easy to administer. **Performance Appraisal**
4. This method is useful for Government jobs.

### 3.5.2.2 Demerits:

The job classification method also has some disadvantages. The major demerits of the method are:

1. The method suffers from personal bias of the committee members.
2. It cannot deal with complex jobs which will not fit neatly into one grade.
3. This method is rarely used in industries.
4. It is difficult to know how much of a job's rank is influenced by the man on the job.
5. The system is rather rigid and unsuitable for large organizations or for very varied work.

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### Key Words:

- 1) **Compensation decisions:** money paid to someone because they have suffer
- 2) **360- Degree Feedback:** It is a technique which is systematic collection of performance data on an individual or group, derived from a number of stakeholders like immediate supervisors, team members, customers, peers and self.
3. **Assessment center:** It is a central location where managers may come together to have their participation in job related exercises evaluated by trained observers
4. **MBO:** Management by objectives
5. **BARS:** Behaviorally Anchored Rating Scales

### Self assessment questions

1. What are the Aims of Performance Appraisal?
2. What are the procedures of performance appraisal?
3. Describe the traditional tools of performance appraisal?
4. Give the objectives, meaning and definitions of job evaluation.
5. Give account of merits and demerits of job evaluation.

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## UNIT 14

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# COMPENSATION ADMINISTRATION

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### Objectives

After reading this unit, student should be able to :

1. Appreciate compensation function and objectives:
2. Understand the system of wage policy in India:
3. Assess the characteristics of executive compensation and its determinants ; understand the principles and practice of compensation administration;
4. Identify the major compensation of wage structure in India.

### Unit Structure

- 4.1 Introduction
- 4.2 Objectives of Compensation Planning (Elaboration)
- 4.3 Components of Compensation System
  - 14.3.1 Wage and Salaries
  - 14.3.2 Incentives
  - 14.3.3 Fringe Benefits
  - 14.3.4 Perquisites
- 4.4 Wage Policy in India
  - 14.4.1 Principles of Wage Policy
  - 14.4.2 Objectives of Wage Policy
    - 4.4.2.1 Economic Objectives
    - 4.4.2.2 Social Objectives
  - 4.4.3 Concepts of Wage Policy
    - 4.4.3.1 Minimum Wage
    - 4.4.3.2 Living Wage
    - 4.4.3.3 Fair Wage
  - 4.4.4 Limitations of Wage Policy

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## 4.1 Introduction

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Compensation is a systematic approach to providing monetary value to employees in exchange for work performed. Compensation may achieve several purpose like assisting in recruitment, job performance and job satisfaction.

Compensation management, also known as wage and salary administration, remuneration management, or reward management, is concerned with designing and implementing total compensation package. The traditional concept of wage and salary administration emphasized on only determination of wage and salary structures in organizational settings. However, over the passage of time, many more forms of compensation as discussed earlier, entered the business field which necessitated to take wage and salary administration in comprehensive way with a suitable change in its nomenclature.

It has become imperative for organizations to balance the cost of compensation and employee motivation (for retention) to survive in a competitive world.

Pay and compensation represents an exchange between the employee and the organization. Each gives something in return for something else. In the past, the compensation issue was often confidential and governed by individual employer's preference or choice. However, in today's competitive world, compensation issues are more transparent. Compensation should be fair irrespective of economic consideration. Many scholars believe that compensation is the outcome of productivity. In India right from Vedic age, the volume of work and time required to perform the work were considered to decide compensation.

**Beach** has defined wage and salary administration as follows:

*“Wages and salary administration refers to the establishment and implementation of sound policies and practices of employee compensation. It includes such areas as job evaluation, surveys of wages and salaries, analysis of relevant organizational problems, development and maintenance of wage structure, establishing rules for administering wages. Wage payments, incentives, profits sharing, wage changes and adjustments, supplementary payments, control of compensation costs and other related items.”*

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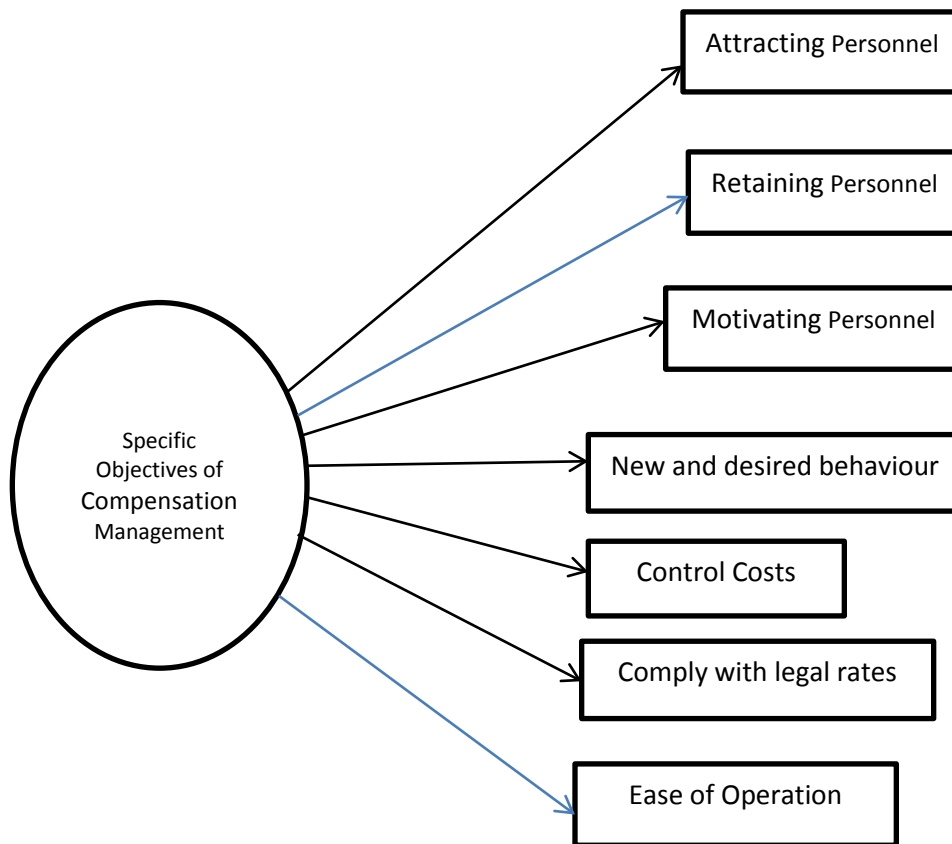
## 4.2 Objectives of Compensation Planning : (Elaboration)

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The basic objective of compensation management can be briefly termed as meeting the needs of both employees and the organization. Since both these needs emerge from different sources, often, there is a conflict between the two. This conflict can be understood by agency theory which explains relationship between employees and employers.



The theory suggests that employers and employees are two main stakeholders in a business unit, the former assuming the role of principals and the latter assuming the role of agents. The compensation paid to employees is agency consideration. Each party to agency tries to fix the consideration in its own favour. The employers want to pay as little as possible to keep their costs low. Employees want to get as high as possible. The compensation management tries to strike a balance between these two with following specific objectives:



**Figure-1- Specific objective of compensation management**

**1) Attracting Personnel:**

Compensation needs to be high enough to attract talented people. Since many firms compete to hire the services of competent people, the salaries offered must be high enough to motivate them to apply.

**2) Retaining Personnel :**

If compensation levels fall below the expectations of employees or are not competitive, employees may quit in frustration.

**3) Motivating Personnel :**

Compensation management aims at motivating personnel for higher productivity. Monetary compensation has its own limitations in motivating people for superior performance. Alfie Kohn has gone to the

extent of arguing that corporate incentive plans not only fail to work as intended but also undermine the objectives they intend to achieve. He argues that this is due to inadequate psychological assumptions on which reward systems are based. His conclusions are as follows:

- Rewards punish people – their use confirms that someone else is in control of the employee.
- Rewards rupture relationships – they create competition where teamwork and collaboration are desired.
- Rewards ignore reasons – they relieve managers from the urgent need to explore why an employee is effective or ineffective.
- Rewards discourage risk taking – employees tend to do exactly what is required to earn the reward, and not any more.
- Rewards undermine interest – they distract both manager and the employee from consideration of intrinsic motivation.

Notwithstanding these arguments, compensation management can be designed to motivate people through monetary compensation to some extent.

#### **4) New and desired behavior :**

Pay should reward loyalty, commitment, experience, risk taking initiatives and other desired behaviours. Where the company fails to reward such behaviours employees may go in search of greener pastures outside.

#### **5) Control Cost :**

The cost of hiring people should not be too high. Effective compensation management ensures that workers are neither overpaid nor underpaid.

#### **6) Comply with legal rates :**

Compensational programs must invariably satisfy governmental rules regarding minimum wages, bonus, allowance benefits, etc.

#### **7) Ease of Operation :**

The compensation management system should be easy to understand and operate. The only will it promote understanding regarding pay related matters between employees unions and managers.

The most important objective of any pay system is fairness or equity. The term equity has three dimensions :

##### **1) Internal Equity :**

This ensures that more difficult jobs are paid more.

##### **2) External Equity :**

This ensures the jobs are fairly compensated in comparison to similar jobs in the labour market.

**3) Individual equity :**

It ensures equal pay for equal work, i.e. each individual pay is fair in comparison to others doing the same/similar jobs.

In order to fulfill these objectives, proper mechanism for management of compensation should be there in every organization.

**Compensation Administration**

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### 4.3 Components of Compensation System

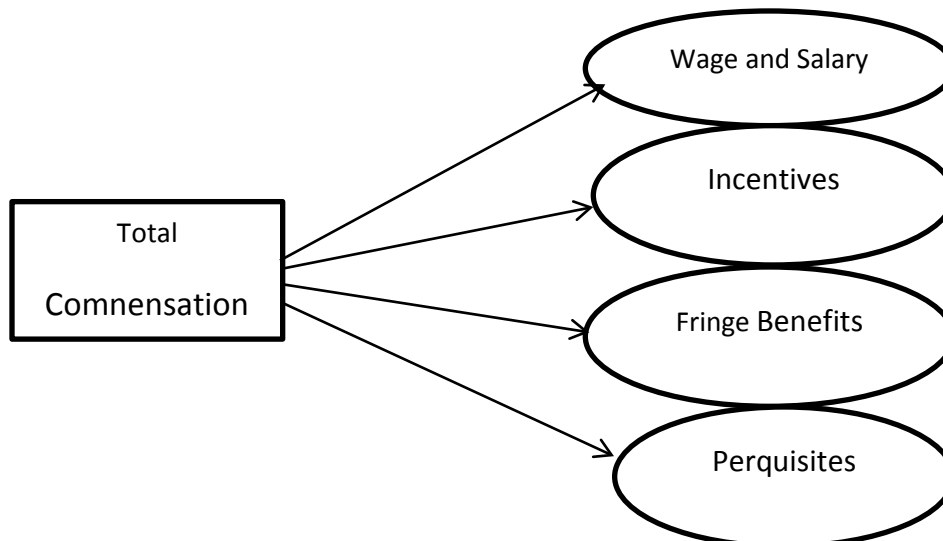
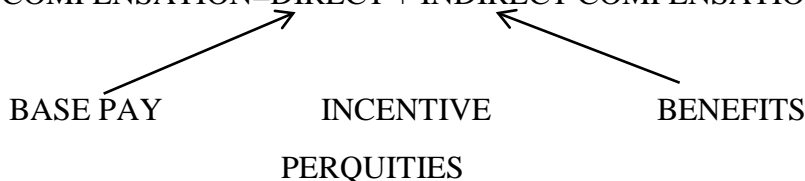
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The literal meaning of compensation is to counter – balance, In the case of human resource management, compensation is referred to as money and other benefits received by an employee for providing services to his employer. Money and benefits received may be in different forms – base compensation in money form and various benefits, which may be associated with employee’s service to the employer like provident fund, gratuity and insurance scheme and any other payment which the employee receive or benefits he enjoys in lieu of such payment. Cascio has defined compensation as follows :

*“Compensation includes direct cash payments, indirect payments in the form of employee benefits and incentives to motivate employees to strive for higher levels of productivity.”*

Based on above description of compensation, we may identify its various components as follows :

$$\text{TOTAL COMPENSATION} = \text{DIRECT} + \text{INDIRECT COMPENSATION}$$



### **4.3.1 Wage and Salary :**

Wage and salary are the most important component of compensation and these are essential irrespective of the type of organization. Wage is referred to as remuneration to workers particularly. Hourly – rated payment. Salary refers to as remuneration paid to white collar – employees including managerial personnel. Wages and salaries are paid on the basis of fixed period of time and normally not associated with productivity of an employee at a particular time.

### **4.3.2 Incentives :**

Incentives are the additional payment to employees besides the payment of wages and salaries. Often these are linked with productivity, either in terms of higher production or cost saving or both. These incentives may be given on individual basis or group basis.

### **4.3.3 Fringe Benefits :**

Fringe benefits include such benefits which are provided to the employee either having long term impact like provident fund, gratuity, pension or occurrence of certain events like benefits, accident relief, health and life insurance; or facilitation in performance of job like uniforms, Canteens, recreation etc.

### **4.3.4 Perquisites :**

These are normally provided to managerial personnel either to facilitate their job performance or to retain them in the organization. Such perquisites include company car, club membership, free residential accommodation, paid holiday trips, stock-option etc.

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## **4.4 Wage Policy in India**

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Wage Policy are principles acting as guidelines for determining for determining a wage structure. Initially as an economic issue it was mainly the concern of the employer while state was adopting laissez faire policy. But, with the industrial progress and subsequent industrial balance between employers, employees, wage bargain has become a matter for three fold concern of the employer, employee and the state.

### **4.4.1 Principles of Wage Policy:**

In India it is built around certain cardinal principles :

- Equal pay for equal work;
- Living wages for all workers so that they lead a decent life:

- Payment of wages on appointed dates without unauthorized deductions;
- Resolving wage related issues through collective bargaining;
- Payment of statutory bonus at 8.33 percent as per legal provisions.
- Ensuring a fair, equitable wage plan for various employees without significant wage differences;
- The capacity to pay (according to Supreme Court ruling –“an employer who cannot pay minimum wages has no right to exist”).
- Determining fair wages over and above minimum wages with due regards to (i) the productivity of labour, (ii) the prevailing level of wages, (iii) the level of national income and distribution, and (iv) the place of industry in the economy of the company.
- To compensate for the rise in cost of living.

## **Compensation Administration**

### **4.4.2 Objectives of Wage Policy :**

The objectives of wage policy can be categorized as :

- a) Economic objectives
- b) Social Objectives

#### **4.4.2.1 Economic Objectives of Wage Policy :**

- Full employment and optimum allocation of all resources;
- The highest degree of economic stability consistent with an optimum rate of economic progress;
- Maximum income security for all sections of the community;

#### **4.4.2.2 Social Objectives of Wage Policy :**

- The elimination of exceptionally low wages;
- The establishment of ‘fair’ labour standards;
- The protection of wage earners from the effect of rising prices;
- The incentive for workers to improve their productivity performance.

Wage Policy is a democratic set up so it cannot be enforced by the Government alone, it’s implementation has to be secured through employers and employees organization at bargaining table, i.e. by consensus.

According to economic theory, wages are defined broadly as any economic compensation paid by the employer to his laborers under some contract for the services rendered by them. In its actual sense which is prevalent in the practice, wages are paid to workers which includes basic

wages and other allowance which are linked with the wages like dearness allowances etc. Traditionally, in the absence of any bargaining power possessed by laborers, they did not have any say in the determination of wages paid to them. This has led to the development of several theories of wages such as subsistence theory by Ricardo, wage fund theory by Adam Smith, surplus value theory by Karl Marx residual, claimant theory by Francis Walker, marginal productivity theory by Philip Wickstted and John Clark, bargaining theory by John Davidson and behavioral theory by James March and Herbert Simon. Each theory tries to explain how wages are determined in the Indian context, soon after independence, Government of India setup a Committee on Fair Wages in 1948 which has defined various concepts of wages which govern the wage structure in the country specially in those sectors which can be termed as underpaid and where workers do not have bargaining power through unions.

#### **4.4.3 Concepts of Wage Policy :**

These concepts are : minimum wage, living wage and fair wage.

Later the concept of need based minimum wage was added. Let us have a brief look at these concepts.

##### **4.4.3.1 Minimum Wage :**

A minimum wage is one which has to be paid by an employer to his workers irrespective of his ability to pay. According to the above committee,

*“Minimum wage is the wage which must provide not only for the bare*

*Sustenance of life, but for the preservation of the workers. For this purpose, minimum wage must provide some measure of education, medical requirements and amenities.”*

Subsequent to the committee’s report, Government enacted legal provisions regarding minimum wages under the Minimum Wages Act, 1948. This act does not define the concept of minimum wages but empowers the Central Government as well as State Governments to fix minimum wages from time to time. Wherever this act applies, the payment of minimum wages is mandatory, In 1957, Indian Labour.

Conference elaborated the concept of fixation of minimum wages which were termed as need –based minimum wages.

For the calculation of wages, the Conferences suggested the following guidelines:

- The standard working class family should be taken to consist of three consumption units for the earner: The earnings of women, children and adolescents should be disregarded.

- The minimum food requirements should be calculated on the basis of the net intake of 2,700 calories per adult.
- The clothing requirements should be estimated at a per capita consumption of 18 yards per annum per person. **Compensation Administration**
- In respect of housing, the norms should be the minimum rent charged by the Government in any area for houses provided under subsidized housing scheme for low- income groups.
- Fuel, Lighting and other miscellaneous items of expenditure should constitute 20 percent of the total minimum wage.

#### **4.4.3.2 Living Wage :**

Along with the minimum wage the Committee on Fair Wages has given the concept of living wage which has been defined as follows:

*“ A living wages is one which should enable the earner to provide for himself and his family not only the bare essentials of food, clothing and shelter but a measure of frugal comfort including education for his children, protection against ill- health, requirements of essential social needs and a measures of insurance against the more important misfortunes including old age.”*

Living wage is more than the concept of minimum wage. Such a wage is determined keeping in view the national income and paying capacity of industrial sector. The Committee also observed that since the national income did not support the payment of living wage, it should be implemented in three phases. In the initial stage the wages to be paid to the entire working class were to be established and stabilized. In the second phase fair wages were to be established in the community and industry. In the final phase the working class was to be paid the living wage.

#### **4.4.3.3 Fair Wage :**

The concept of fair wage is linked with the capacity of the industry to pay. The Committee has defined fair wage are follows:

*“Fair wage is the wage which is above the minimum wage below the living wage. The lower limit of the fair wage is obviously*

*The minimum wage : the upper limit is to be set by the capacity of the industry to pay”.*

Thus, fair wage depends on different variables affecting wage determination. Such factors are labour productivity, prevailing wage rates, the level of national income and its distribution and the capacity of industry to pay.

At present the concept of fair wages is followed by most of the business organizations.

#### 4.4.4 Limitations of Wage Policy

There are certain limitations of wage policy in India :

- Socio-economic setup of our society;
- Enforcement in organized sector;
- Lack of Unity among unions;
- Price rise almost beyond Government regulatory capabilities;
- Wages lag far behind labour productivity;
- Lesser number of workers in organized sector take away bulk of wages than unorganized;
- Wage incomes are consumption oriented rather than saving oriented so increased wages would mean increased consumption . Therefore, economic growth may not be affected positively as it depends upon rate of investment possible through savings.
- Ever increasing addition to workforce yet dearth of skilled labour.
- High wages may force employer to shift towards capital intensive methods.
- High wages reduce capital for growth.

#### Key words

Incentives: are the additional payment to employees besides the payment of wages and salaries.

Wage Policy : are principles acting as guidelines for determining a wage structure  
Compensation Management : Briefly termed as meeting the needs of both employees and the organization.

Fair Wage: is with the capacity of the industry to pay

Wage: is referred to as remuneration to workers particularly, hourly- rated payment

Salary: refers to as remuneration paid to white – collar employees including managerial personnel.

#### *Self Assessment Questions*

- 1) What are the components of compensation programme?
- 2) What are the concepts of wage policy?
- 3) What are the limitations of wage policy?
- 4) What are the objectives of compensation planning?

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## UNIT 5

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### INCENTIVE PAYMENTS

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#### Objectives

After Studying this unit, you would be able to understand the:

1. Meaning and definition
2. Need of Incentive
3. Identify the types of incentive payments.
4. Understand how to make an incentive payment an effective one.
5. Understand the incentive schemes in Indian Industries.
6. Determine the fringe benefits.

#### 5.1 Introduction

#### 5.2 Meaning and Definition

#### 5.3 Need of Incentive 15.4

#### Types of Incentives

##### 5.4.1 Financial Incentives

##### 5.4.2 Non-Financial Incentives

#### 5.5 Merits of Incentives

#### 5.6 Problems arising out of Incentives

#### 5.7 Perquisites of an effective Incentive System

#### 5.8 Scope of Incentive Scheme

#### 5.9 Incentive Schemes in Indian Industries 5.10

#### Fringe Benefits

##### 5.10.1 Objectives of Fringe Benefits

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### 5.1 Introduction

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'Incentive' may be defined as any reward or benefit given to the employee over and above his wage or salary with a view to motivating him to excel in his work. Incentives include both monetary as well as non-monetary rewards. A scheme of incentive is a plan to motivate individual or group performance.

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### 5.2 Incentives: Meaning and Definition

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The following are some of the definitions of the term 'incentive':

- Wage incentives are extra financial motivation. They are designed to stimulate human effort by rewarding the person, over and above the time rated remuneration, for improvements in the present or targeted results.”

**-The National Commission on Labour.**

- It refers to all the plans that provide extra pay for extra performance in addition to regular wages for a job.”

**-Hummel and Nickerson**

- “It is any formal and announced programme under which the income of an individual, a small group, a plant work force or all the employees of a firm are partially or wholly related to some measure of productivity output.” **-Scott**

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### 5.3 Need for Incentive

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It is true that monetary compensation does constitute very important reason for the working of an employee. But this compensation alone cannot bring job satisfaction to the workers. One cannot expect effective performance from a worker who is dissatisfied with its job, even if he is well paid. Sociologists and industrial psychologists also view that the financial aspect is not the only dominant motivating force. Confidence in the management, pride in the job and in firm and concern for the overall good cannot be brought by a bonus. Hence the modern authorities on management science have recognized the need for the provision of incentives to build up good morale.

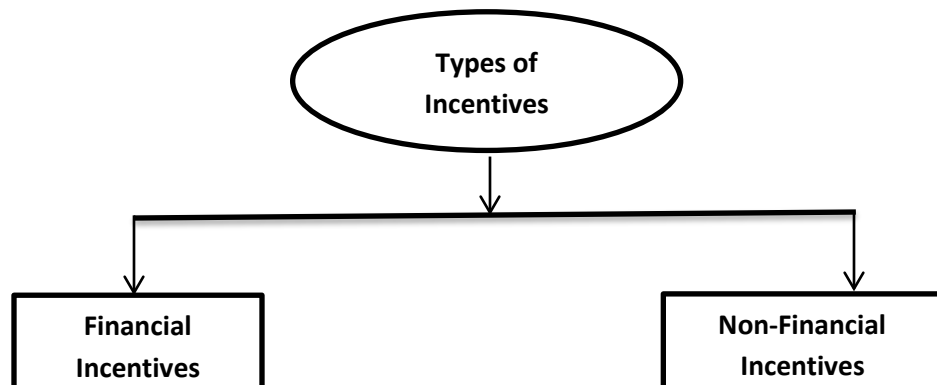
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### 5.4 Types of incentives

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All forms of incentives can be broadly classified into two kinds, namely:

1. Financial Incentives, and
2. Non-financial Incentives



### **5.4.1 Financial Incentives:**

Financial Incentives or pecuniary incentives are the most original of all the incentives. It is given in the form of money. The financial incentives still form the most important influencing and motivating factor upto a certain limit.

Because it is only by virtue of the monetary compensation that the workers can satisfy their fundamental needs, such as, food, clothing, shelter, etc. The financial incentives may be either direct or indirect. Direct incentives include wages, bonus and other incentives directly given to the workers in the form of cash.

Indirect financial incentives include subsistence allowance expenses, medical expenses, etc.

### **5.4.2 Non-financial Incentives:**

Non-financial or non-pecuniary incentives include all other influences planned or unplanned, which stimulate exertion. Mere monetary incentive cannot help the management in solving all the problems of industrial unrest.

Further additional cash wage may also tempt the workers to misuse the money in vices like gambling, drinking, etc. Under such circumstances, the non-financial incentives have a significant role to play. Such incentives create a healthy atmosphere and change the mental outlook of the workers. They make the working class more stabilized and economically sound. Thus, in short, the workers by virtue of the non-financial incentives are enabled to enjoy a richer and fuller life. Experiences of foreign countries particularly countries like, Britain, America and Japan have shown that there is a high degree of positive correlation between non-financial benefit scheme and labour productivity.

**Non-Financial Incentives can take a variety of forms. Some of the popular ones are given below:**

1. Job Security;
2. Recognition;
3. Participation;
4. Sincere Interest in Subordinates as Individual Persons;
5. Pride in job;
6. Delegation of Responsibility;
7. Other Incentives.

Let us discuss each one by one:

#### **1. Job Security:**

The management must try its best to create a sense of job security. There should be no risk of retrenchment, demotion and termination. Experiences have also shown that the productivity is less in those concerns where workers have no feeling of safe and secure future. But it is high in those concerns where they have a feeling of job security.

## **2. Recognition:**

Recognition of work is the essence of securing good work. Efficient people would naturally like to get recognition for their skill and excellence in their work. Such recognition can do many things that a cash reward can do. Of course it is not practicable for the superiors to praise everybody for everything done by them. But the technique of praise must be practiced as far as possible.

## **3. Participation:**

Workers feel more satisfied when they are given an opportunity to raise their voice in handling the affairs of the enterprise. Since they actually take part in the decision-making their co-operation is assured.

## **4. Sincere Interest in Subordinates as Individual Persons:**

The workers must be made to feel pride in their job. Various techniques can be employed to develop pride to work. Food product, dynamic leadership, fair treatment, ethical conduct, etc. an effectively stimulate the workers' pride in their job and in the firm.

## **5. Pride in job:**

The workers must be made to feel pride in their job. Various techniques can be employed to develop pride to work. Food products, dynamic leadership, fair treatment, ethical conduct, etc. can effectively stimulate the workers pride in their job and in the firm.

## **6. Delegation of Responsibility:**

Delegation of rights and responsibilities to execute a given task often proves to be a strong motivating factor. By delegation the superior trusts his workers and stimulates them to show better results.

## **7. Other Incentives:**

Other incentives like quick promotion, provisions of facilities for development and training, provision of labour welfare amenities, etc. also have a significant role to play in motivating the employees.

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## **5.5 Merits of Incentives**

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The following are the advantages derived by providing incentives to employees:

## **Incentive Payments**

1. Higher output;
2. Greater profits;
3. No problem of idle time;
4. Supervision does not pose any problem;
5. Efficient workers are able to earn more;
6. Possible to identify inefficient and dull workers;
7. Rate of labour turnover is bound to be low;
8. Reduction in complaints and grievances.

Let us discuss each one-by-one:

### **1. Higher Output:**

By providing incentives to his employees, the employer is able to induce them to work better. This leads to higher output.

### **2. Greater Profits:**

Needless to say, higher output results in greater profits for the business. This happens in two ways. First, the cost per unit becomes less and second, the enterprise is able to keep the selling price low and this results in greater sales.

### **3. No problem of idle time:**

In an organization where no proper incentives are available for the workers, the tendency will be to waste away the time. When suitable incentives are available, the workers tend to become time conscious. They begin to see every minute in terms of money.

### **4. Supervision does not pose any problem:**

When suitable incentives are available, the workers tend to become duty conscious. The need for close supervision, thus, does not arise.

### **5. Efficient workers are able to earn more:**

Those workers who are highly efficient are able to earn more by way of performance based bonus, higher commission and so on.

### **6. Possible to identify inefficient and dull workers:**

If, in spite of the incentive schemes, some workers are able to earn only their normal wage, this means that they are basically dull. The employer, therefore, has to decide whether to retain them or subject them to rigorous training.

### **7. Rate of labour turnover is bound to be low:**

If adequate incentive are available to the workers, they may not have a feeling of dissatisfaction. Such workers are sure to have greater work commitment and, therefore, may not leave the organization. The rate of labour turnover, as a result, is bound to be low.

**8. Reduction in complaints and grievances:**

As the organization makes available suitable incentives to the workers, they may not have anything to complain about. This leads to reduction in complaints and grievances.

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## **5.6 Problems arising out of Incentives**

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The following problems are bound to arise while implementing an incentive plan:

1. Quality of work may suffer;
2. Inter-personnel relationships may suffer;
3. Wear and tear of machines may be more;
4. Health of the workers may get affected;
5. Increase in accidents;
6. Increase in paper work;

Let us discuss each one-by-one:

**1. Quality of work may suffer:**

The workers, those in the production department in particular, may give undue importance to the quantity of output produced neglecting the quality of output. Such a problem can be overcome only if the organization has a perfect system of quality control.

**2. Inter-personnel relationships may suffer:**

Only those employees who are really efficient will be benefitted out of incentives. This may promote ill feelings among the employees of an organization.

**3. Wear and tear of machines may be more:**

As the employees are keen on increasing the output all the time, they may handle the machines in a careless manner. This increases the wear and tear of machines.

**4. Health of the workers may get affected:**

Some workers tend to overwork in order to earn more and this may affect their health.

**5. Increase in accidents:**



There is always a performance to step up output disregarding even safety regulations and this may increase the rate of accidents in the workplace. **Incentive Payments**

**6. Increase in paper work:**

Proper administration of any incentive scheme involves lot of paper work. It necessitates the maintenance of proper records and books.

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## **5.7 Perquisites of an effective Incentive System**

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A good incentive plan shall fulfill the following requirements:

1. Trust and confidence;
2. Consensus required;
3. Assured minimum wage;
4. No scope for bias or favouritism;
5. Simple to operate;
6. Beneficial to both the workers and the management;
7. Sound system of evaluation;
8. Redressing grievances;
9. Review.

Let us discuss them briefly:

**1. Trust and confidence:**

The success of any incentive plan depends on the existence of an atmosphere of trust and confidence between the workers and the management. In the absence of such an atmosphere, the workers may resist any such proposal by the management.

**2. Consensus required:**

The management should not take a unilateral decision while evolving an incentive scheme. Consensus between the workers and the management is necessary for the success of the plan.

**3. Assured minimum wage:**

Payment to any worker should not be totally related to his performance. Every worker should be assured of a minimum wage not with standing performance. Only then the workers would have a sense of security.

**4. No scope for bias or favouritism:**

The standards set under the incentive plan should be based on objective analysis. It should not expect too much out of the employee nor should it give scope for bias or favouritism.

**5. Simple to operate:**

The incentive plan should not involve tedious calculations. It should be so simple that the worker will be in a position to work out his total earnings himself.

**6. Beneficial to both the workers and the management:**

The incentive plan should be beneficial to both the workers and the management. From the management's point of view, it should be cost effective. From the workers point of view, it should offer return, at a rate higher than the normal rate of wages, for the extra efforts made by them.

**7. Sound system of evaluation:**

A perfect system of evaluating the employee's performance should be created in the organization. The results of evaluation should be made known to the employees at the earliest.

**8. Redressing grievances:**

Grievances and complaints are bound to arise whenever any incentive plan is in vogue in the organization. Proper machinery should be installed for the quick handling of all such complaints.

**9. Review:**

The progress of the incentive scheme should be periodically reviewed. Only then it would be possible to notice and remove defects, if any, in the plan.

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## **5.8 Scope of incentive Scheme**

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Though wage incentives could be applied with advantage in most cases, there may be certain limitations rendering the introduction of incentives difficult in some industries where:

- (i) High quality and precision are of Paramount importance;
- (ii) Work is dangerous and adherence to safety precautions is essential; and
- (iii) Work is such that measurement of either individual or group effort is extremely difficult.

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## **5.9 Incentive Schemes in Indian Industries**

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Introduced in 1946, incentive payments have become highly popular in our industries. They are as common as monthly wages and

salaries. But the schemes in operation defy any generalization because no two plants follow an identical scheme. The schemes differ from industry to industry, and from plant to plant within an industry. **Incentive Payments**

Some of the schemes described by the ILO are followed here, but not in their original form. They have been identified to suit the local requirements. This is necessary because the implementation and standardization of operations are not possible in our industries.

Thus the features of incentive payments are:

1. Though incentive are as old as industries themselves, it was in 1946 that they were introduced in our country. Even to this day, the incentive schemes are in their infancy.
2. In most industrial establishments, the introduction of incentive incentive schemes have not been preceded by work studies, consultations with worker's representatives and rationalization of wage structure through job evaluation.
3. Incentive schemes differ from industry to industry and from plant to plant within an industry.
4. The schemes in public sector plants have an extremely wide coverage, some applying only to day-rated employees while others are being made applicable right upto the top management.
5. Most incentive schemes in operation fall under one or the other of the four classes mentioned by the ILO. But the schemes are fine-tuned to suit the requirements of the organization.
6. Inflation has reduced the motivational effect of incentive schemes. Hence, incentives have to be substantial if workers are to be motivated for higher efficiency and greater output.
7. In many cases, incentives seem to have achieved their objectives, i.e., increased productivity and enhanced earnings.

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## **5.10 Fringe Benefits**

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It is an incidental benefit awarded for certain types of employment (especially if it is regarded as a right) ; “a limousine is one of the fringe benefits of the job.”

**The fringe benefits are categorized as follows:**

- Payment for Time Not worked: Benefits under this category include: sick leave with pay, vacation pay, paid rest and relief time, paid lunch periods, grievance time, bargaining time, travel time, etc.
- Extra pay for time Worked: This category covers the benefits, such as: premium pay, incentive bonus, shift premium, old age insurance, profit sharing, unemployment compensation, Christmas

bonus, Diwali or Pooja bonus, food cost subsidy, housing subsidy, recreation.

Organization provide a variety of fringe benefits. The fringe benefits are classified under as given here under.

**1. Employment Security:**

Benefits under this head include unemployment, insurance, technological adjustment pay, leave travel pay, overtime pay, level for negotiation, leave for maternity, leave for grievances, holidays, cost of living bonus, call-back pay, lay-off, retiring rooms, jobs to the sons/daughters of the employees and the like.

**2. Health Protection:**

Benefits under this head include accident insurance, disability insurance, health insurance, hospitalization, life insurance, medical care, sick benefits, sick leave, etc.

**3. Old Age and Retirement:**

Benefits under this category include: deferred income plans, pension, gratuity, provident fund, old age assistance, old age counseling and medical benefits for retired employees, traveling concession to retired employees, jobs to sons/daughters of the deceased employee and the like.

**4. Personnel Identification, participation and Stimulation:**

This category covers the following benefits: anniversary awards, attendance bonus, canteen, cooperative credit societies, educational facilities, beauty parlor services, housing, income tax aid, counseling, quality bonus, recreational programmes, stress counseling, safety measures, etc.

**5. Employee Security:**

Physical and job security to the employee should also be provided with a view to promoting security to the employee and his family members. The benefit of confirmation of the employee on the job creates a sense of job security. Further a minimum and continuous wage or salary gives a sense of security to the life.

**6. Retrenchment Compensation:**

The Industrial Disputes Act, 1947 provides for the payment of compensation in case of lay-off and retrenchment. The non-seasonal industrial establishments employing 50 or more workers have to give one month's notice or one month's wages to all the workers who are retrenched after one year's continuous service. The compensation is paid at the rate of 15 days wage in a year. Workers are eligible for compensation as stated above even in case of closing down of undertakings.

**7. Lay-off Compensation:**

In case of lay-off, employees are entitled to lay-off compensation at the rate to 50% of the total of the basic wage and dearness allowance for the period of their lay-off except for weekly holidays. Lay-off compensation can normally be paid up to 45 days in a year.

**8. Safety and Health:**

Employee's safety and health should be taken care of in order to protect the employee against accidents, unhealthy working conditions and to protect workers capacity. In India, the Factories Act, 1948, stipulated certain requirements regarding working conditions with a view to provide safe working environment. These provisions relate to cleanliness, disposal of waste and effluents, ventilation and temperature, dust and fume, artificial humidification, over-crowding, lighting, drinking water, latrine urinals, and spittoons. Provisions relating to safety measures including fencing of machinery, work on or near machinery in motion, employment of young people on dangerous machines, striking gear and devices for cutting of power, self-acting machines, easing of new machinery, protection of employment of women and children near cotton openers, hoists, and lifts, lifting machines, chains, ropes and lifting tackles, revolving machinery, pressure plant, floors, excessive weights, protection of eyes, precautions against dangerous fumes, explosive or inflammable dust, gas, etc. Precautions in case of fire, power to require specifications of defective parts of test of stability, safety of buildings and machinery, etc.

**5.10.1 Objectives of Fringe Benefits:**

The view point of employers is that fringe benefits form an important part of employee incentives to obtain their loyalty and retaining them. The important objectives of fringe benefits are:

- To create and improve sound industrial relations;
- To boost up the employee morale;
- To motivate the employees by identifying and satisfying their unsatisfied needs;
- To provide qualitative work environment and work life;
- To provide security to the employees against social risks like old age benefits and maternity benefits;
- To protect the health of the employees and to provide safety to the employees against accidents;
- To promote employee's welfare by providing welfare measures like recreation facilities;

- To create a sense of belongingness among employees and to retain them. Hence, fringe benefits are called golden hand-cuffs.
- To meet requirements of various legislations relating to fringe benefits.

Key Words: monetary compensation, lay-off compensation, fringe benefits

### **Self Assessment Questions:**

- 1) What is the need for incentives?
- 2) Differentiate between types of incentives?
- 3) Describe non financial incentives.
- 4) Elaborate on the perquisites of an effective Incentive System.
- 5) What is meant by fringe benefits?
- 6) Describe the objectives of fringe benefits.

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## UNIT-6

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### POTENTIAL APPRAISAL

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#### Objective

**After reading this unit you will be able to understand**

1. The meaning, concept of potential appraisal.
2. Identify the impact of potential appraisal on employee performance.
3. Understand tasks, competency and discrepancy analysis and their usage.

#### 6.1 Introduction

#### 6.2 Features of Potential Appraisal

#### 6.3 Purpose of Potential Appraisal

#### 6.4 Impact of Potential Appraisal

#### 6.5 Task Analysis

#### 6.6 Competency analysis

##### 6.6.1 Methodology

##### 6.6.2 Steps in Competency Analysis

##### 6.6.3 Goals of Competency Analysis

##### 6.6.4 Impact of Competency Analysis

#### 6.7 Discrepancy Analysis

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### 6.1 Introduction

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The **potential appraisal** refers to the appraisal i.e. identification of the hidden talents and skills of a person. The person might or might not be aware of them. Potential appraisal is a future – oriented appraisal whose main objective is to identify and evaluate the potential of the employees to assume higher positions and responsibilities in the organizational hierarchy. Many organisations consider and use potential appraisal as a part of the performance appraisal processes.

Potential appraisal is a process of determining an employee's strengths and weaknesses with a view to use this as a predicator of his future performance.

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

**The time for potential appraisal is not fixed. It is under the discretion of the manager to hold the assessment activity.**

Unlike performance review, it does not happen at a particular period in every organization. The managers generally exercise it when an employee achieves a certain milestone, or completes a year or is planning to change jobs for whatever reasons. Usually it is recommended to take place within 6 months.

**The procedure of potential appraisal should commence and end with a meeting between two parties.** In the first meeting the manager can list the abilities required to deliver additional tasks. He/she can recommend various ways to attain them –in- house training programmes, external workshops, etc. The latter meeting can be a review (usually after 6 months) to test whether the skills have been rightly acquired or not. During the observation time the manager is supposed to note the various abilities adopted and used by the candidate in work and the improvement areas. The employee should be ready to defend every action with examples. They can then chalk out a plan to chase the potential and taste growth in the organization.

**It should be noted that a potential appraisal does not guarantee promotion.** Normally, most of the companies do it to facilitate the growth of an individual. The companies can use the results of such an assessment for-

- Recommending a growth plan and showing a bigger picture to the employees.
- Infusing enthusiasm in the employees to sharpen the abilities.
- Learning about the training requirements of the employees.
- Drawing a succession plan for future.

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## **6.2 Features of Potential Appraisal**

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**Potential Appraisal is the process of tracking unrevealed skills and abilities in a person which even he/she is unaware of.** It is a future oriented appraisal which aims to track the potential of the employees to rise up in the organizational structure. Potential Appraisal is a potent device for employee advancement. The term is not known to many however, managers of almost every organisation have been making potential assessment every year.

Let us discuss some of the characteristics of potential appraisal :

- Process of identifying hidden skills and abilities in a person.



- The time for potential appraisal is not fixed.
- It is future oriented process.
- Part of performance appraisal.
- It does not guarantee promotion.

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### **6.3 Purpose of Potential Appraisal**

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Potential appraisal can serve the following purposes:

- To advise employees about their overall career development and future prospects;
- To update training and recruitment activities;
- To advise employees about the work to be done to enhance their career opportunities;
- To enable the management to draft a management succession programme;
- Motivate the employees to further develop their skills and competencies.

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### **6.4 Impact of Potential Appraisal**

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**Potential Appraisal** helps to identify what can happen in future so that it can be guided and directed towards the achievement of individual and organization growth and goals. Therefore, potential should be included as a part of the Performance Appraisal in organisations.

Potential appraisal is an important part of the appraisal process. Appraising an employee's potential helps to evaluate his/her capability for growth and development to accept bigger challenges, responsibilities and positions in the organizational hierarchy. Most organisations incorporate potential appraisal in their appraisal processes for identifying and developing suitable employee base for succession planning.

This performance Appraisal concentrates on the future, based on the performance of the past and helps in developing the personal interests of the employees in alignment to the organizational goals.

With the help of the potential appraisal form, the employees/individuals are judged on various performance and behavioural parameters like:

- The performance areas in which the improvement or development is indicated;
- The accomplishments and targets achieved in the current appraisal period;

- Overall rating of the performance;
- What skills, knowledge, competencies and qualities should be developed?
- Has the employee taken any steps for improving his performance and his career development?
- Recommendations for the training and development of the employee;
- Updating knowledge on the latest developments on their job related and subject areas;
- Rate the employee on the following characteristics or how does the employee fare on following behavioural characteristics;
- Decision making ;
- Independence;
- Confidence towards the job;
- Handling stress and pressure;
- Inter-personal skills, both with superiors and subordinates;
- Leadership, motivating and conflict handling.

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## **6.5 Task Analysis**

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Task Analysis can be defined as the study of what a user is required to do, in terms of actions and/or cognitive processes, to achieve a task objective.

“Task analysis for an instructional design is a process of analyzing and articulating the kind of learning that you expect the learners to know how to perform” (Jonassen, Tessmer & Hasnum, 1999, p.3). Instructional designers perform a task analysis in order to :

1. Determine the instructional goals and objectives;
2. Define and describe in detail the tasks and sub-tasks that the student will perform ;
3. Specify the knowledge type (declarative, structural and procedural knowledge) that characterize a job or task :
4. Select learning outcomes that are appropriate for instructional development ;
5. Prioritize and sequence tasks ;
6. Determine instructional activities and strategies that foster learning ;
7. Select appropriate media and learning environments ;

8. Construct performance assessments and evaluation (Jonassen et al., 1999). **Potential Appraisal**

### **What Methodology does a Task Analysis Support?**

The process of task analysis emerged from the behaviorist era in an effort to describe the elemental behaviours involved in performing a task or job. Nevertheless, different methods of task analysis have indeed followed the paradigm shifts to cognitive psychology and onto constructivism. Ultimately, each methodology of instruction commands its own method of analysis, yet regardless of methodology, a task analysis is needed for an in depth understanding of the learning that's to take place (Jonassen, et al.,1990).

### **I know One Method of Task Analysis. Can I use It all the Time?**

According to Jonassen, the answer is no. Too often instructional designers try to force –fit all learning situations into one or two methods with which they are most familiar. However, as different audiences require different instructional strategies, different contexts demand different task analysis methods. To determine the best method for your instruction, you must decide what kind of analysis to perform. In general, there are five kinds of task analyses:

1. Job or performance analysis;
2. Learning analysis;
3. Cognitive task analysis;
4. Content or subject matter analysis;
5. Activity analysis.

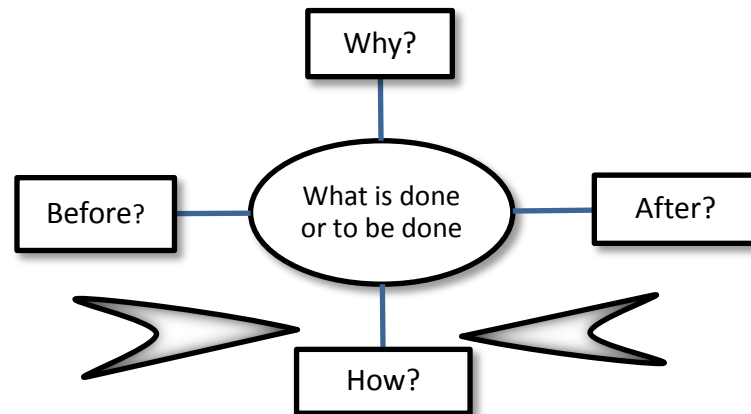
Each of the five methods involves a different procedure for conducting a task analysis and also make different assumptions about the process of learning.

### **How Do I Perform a Task Analysis ?**

According to Jonassen, the task analysis process consists of five distinct functions:

- Classifying tasks according to learning outcomes-
- Inventorying tasks – identifying tasks or generating a list of tasks
- Selecting tasks –prioritizing tasks and choosing those that are more feasible and appropriate if there is an abundance of tasks to train.
- Decomposing tasks-identifying and describing the components of the tasks, Goal or objectives.
- Sequencing tasks and sub-tasks-defining the sequence in which instruction should occur that will best facilitate learning.

All forms of task analysis are concerned with the description and representation of task or activities and provide organisation and structure to that description. This can be useful when describing an existing set of activities performed by a person, but also is of value when trying to design a new product. Thinking through the sequences of activities that a person would need to go through to use a product can assist in identifying whether these are organized logically or not and can assist in designing and redesigning the operations needed to use a product. Two processes are usually followed when a task analysis is conducted. The first of these is some understanding of sequence or dependency between different activities. Thus, it is important to understand a particular activity in the wider context. For example, a person using a communication aid may want to communicate hunger, but first he needs to draw the attention of the person with whom he wants to communicate. After they have communicated hunger there is need for them to be fed.



**Fig 1 Overview of the technique**

The second process is one of representing how activities or tasks fit together. This is a process of representing how large tasks can be decomposed into smaller components and the logical relationship between these. A common technique used is called hierarchical decomposition which means breaking larger activities into smaller activities until a sufficient level of detail is reached. A good way of achieving such decomposition is to repeatedly ask the question “how” to break activities into smaller units. For example, in a communication aid where an identified activity is to draw the attention of the teacher, this might be further decomposed into the child having to press a specific button on the communication aid, repeating the key press in the event of no response by the teacher, etc. One approach which breaks tasks or activities down into smaller units is the Hierarchical Task Analysis (HTA) technique developed by Shepherd (1989).

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## 6.6 Competency Analysis

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Competency Analysis is necessary to identify the knowledge, skills and process abilities required to perform the organizations business activities so that they may be developed and can be used as a basis for workforce practices.

**Potential  
Appraisal**

### 6.6.1 Methodology:

Competency analysis begins with identification of the workforce competencies required to perform the organizational business activities. Once the competencies are identified, a mapping between the targeted versus actual value of competencies is required to measure analyze and predict the future capability of competencies and take necessary corrective / preventive action to either enhance or maintain the current capability.

Identifying the tasks, skills, knowledge and attitude required to perform various organizational roles can be used in formulating job description, assessing employee's current level of competency and activities like planning career development and coordinating competency development.

### 6.6.2 Steps in Competency Analysis :

#### Step 1 :- Plan

1. A plan is developed for analyzing workforce competencies that typically includes :
  - The competency analysis activities to be performed ;
  - The schedule for competency analysis activities ;
  - The individuals or groups responsible for competency analysis activities ;
  - The resources and effort required, including access to the staff, and
  - The process for review and approval of the plan by all parties affected by competency analysis activities.

#### Step 2 :- Method

Examples of methods for workforce competency analysis include the following :

- Position analysis ;
- Critical incident interviews ;
- Behavioral event interviews ;
- Process analysis and engineering ;
- Task analysis ;
- Knowledge engineering ;

- Analysis of skill needs.

**Step 3 :**

The organization defines the level of knowledge, skills and process abilities underlying each of its workforce competencies.

**Step 4 :**

The knowledge, skills and process abilities required to perform committed work and defined for each workforce competency.

**Step 5 :**

Subject matter experts are involved in analyzing the knowledge, skills and process abilities required to perform their committed work.

**Step 6 :**

A description of the knowledge, skills and process abilities is defined for each workforce competency using a representation and format that is appropriate for its intended use.

**Step 7 :**

Descriptions of workforce competencies are used for guiding workforce practices at the organizational level and within units.

**6.6.3 Goals of Competency Analysis :**

- The workforce competencies required to perform the organization's business activities are defined and updated.
- The work processes used within each workforce competency are established and maintained.
- The organisation tracks its capability in each of its workforce competencies.
- Competency Analysis practices are institutionalized to ensure they are performed as defined organisational processes.

**Sources of Information :**

Example sources of information on an individual's level of capability in a workforce competency include the following :

- Training and other development records ;
- Mentoring or apprenticeship reports ;
- Performance management records ;
- Management assessment of knowledge, skills and process abilities
- Self- assessment of knowledge, skills and process abilities ;
- Peer evaluations ;

- Process assessments ;
- Awards and achievements ;
- Professional accomplishments ;
- Assessment centers ;
- Information from the performance of business activities.

## **Potential Appraisal**

### **6.6.4 Impact of Competency Analysis :**

- Objective gap analysis of employees' competencies resulting in individual development for an employee's current and future role ;
- Reduced interview vs. selection ratio as a result of competency based assessment at the time of hiring ;
- Self- development of more than 90% of employees in their competencies in respective domains, communication skills and leadership skills ;
- Increased transparency in the job expectations for an individual's current or future role ;
- Improved employee – organisation fit with employees having more clarity on their role towards achieving the company's goals ;
- Significant improvement in overall organizational competencies with the mandatory competencies check done at the time.

#### **Measurement and analysis :**

Examples of measurements include the following :

- Amount of time or number of people involved in analyzing workforce competencies or in collecting competency information ;
- Number of workforce competencies defined ;
- Effectiveness of meeting milestones in analyzing workforce competencies or collecting competency information ;
- Amount of competency information collected ;
- Period between updates of workforce competency analysis or competency information ;
- Extent to which competency information is used in designing or tailoring workforce practices and performing workforce activities.

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## **6.7 DISCREPANCY ANALYSIS**

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The procedure in which scores are compared to determine whether they significantly different, most often used to compare expected and actual achievement in the identification of learning disabilities.

Key word: Task analysis, Competency analysis, discrepancy analysis

### **Self-assessment Questions**

- Define potential appraisal. Describe the features of Potential Appraisal.
- What is the purpose of Potential appraisal? Also highlight the impact of potential appraisal.
- Elaborate on the aims of Instructional designers for performing a task analysis.
- What is Competency Analysis?
- What is the methodology of competency analysis?

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## Human Resource Management-II

**Block**

**3**

### **Industrial Relation and trade Union**

<b>UNIT-7</b>	<b>Industrial Relations</b>	<b>85-102</b>
<b>UNIT-8</b>	<b>Disciplines &amp; Grievances Cell Rocedure</b>	<b>103-126</b>
<b>UNIT-9</b>	<b>Trade Unionism</b>	<b>127-146</b>
<b>UNIT-10</b>	<b>Labour Verification</b>	<b>147-172</b>

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**परिमापक**

**परिमापक**

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अनुवाद की स्थिति में

मूल लेखक	अनुवाद
मूल सम्पादक	भाषा सम्पादक
मूल परिमापक	परिमापक

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**प्रूफ रीडर**

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## **BLOCK INTRODUCTION**

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This block comprises of four units. The first unit introduces the subject and approaches to industrial relations (IR). It also provides an overview of evolution of IR in India, role of states trade unions in India. The second unit explains the concept of disciplinary procedure, grievances handling procedure, labour turnover, absenteeism, worker's participation in management. It also explains the concept of resignation, dismissal, retrenchment and voluntary retirement schemes. The third unit deals with trade union, its origin & growth. It further highlights various functions & role of trade unions in collective bargaining. It also throws light on the problems of trade unions. The fourth unit describes various industrial acts like Industrial Dispute Act, Factories Act, Payment of Wages Act, Workmen Compensation Act, Payment of Gratuity Act and Employees Provident Fund Act etc.



## UNIT 7

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# INDUSTRIAL RELATIONS

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### Objectives:

After studying this lesson, you will be able to:

- Explain the meaning & importance of industrial relations;
- Identify the features of ILO and evolution of IR in India;
- Describe the various approaches to industrial relations;
- Understand the role of state trade unions

### Structure:

#### 7.1 Introduction

#### 7.2 Meaning & Nature of industrial relations

**1.2.1** Distinction between human relations & industrial relations

**7.2.2** Importance of good industrial relations

**7.2.3** Causes of industrial disputes & poor industrial relations

**7.2.4** Objectives of industrial relations

#### 7.3 Approaches to industrial relations

#### 7.4 ILO in IR

#### 7.5 Evolution of IR in India

#### 7.6 Role of state trade unions

#### 7.7 Employer's organizations

#### 7.8 Summary

#### 7.9 Further Readings

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## 7.1 INTRODUCTION

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Industrial relation is a dynamic socio economic process. *Dale Younder* in his book, *Personnel Management and Industrial Relations* has discussed industrial relations as 'a designation of a whole field of relations that exist because of the necessary collaboration of men and women in the employment processes of industry'.

It has two faces as cooperation and conflict. Industrial relations are invariably a combination of cooperation, collaboration and conflict between labour and management. The relationship changes from thesis to antithesis and then to synthesis. Thus, the relationship revolves into a form of cycle, starting with cooperation soon changes into conflict and after its resolution, again changes into cooperation. However, efforts should be made to seek the maximum degree of cooperation and collaboration between them so that organizational objective may be achieved efficiently. Some degree of conflict always remains because of the following reasons:

- a) Both labour as well as management has different orientations and perceptions which generate generally negative images about each other.
- b) Both the groups claim complete rationality for their demands because there are no mutually accepted norms to guide their behavior in the pursuits of their objectives.
- c) Both the groups do not come on negotiation table with a clean state. They baring with them some carry over effect from the past which signifies the existence of conflict between the labour and the management.

Industrial relations constitute one of the most delicate and complex problems of the modern industrial society. There are various incidents which had their impact on this bonding of employees and management bonding. We can take example of strike by employees of MARUTI at Manesar plant. This was the one of the most burning issue of modern industrialization which forced all management gurus and HR experts to rethink about the industrial relations. This phenomenon of a new complex industrial set-up is directly attributable to the emergence of 'Industrial Revolution'. The pre industrial revolution was characterized by a simple process of manufacturing and trading which was related with small investment and local market and few numbers of employees. Therefore there was a proximity among the managers and the employees and they have healthy relations too as they were near to discuss their issues. Due to personal and direct relationship between the employer and the employee it was easier to secure cooperation of the latter. Any grievance or misunderstanding on the part of either party could be promptly removed. Also, there was no interference by the State in the economic activities of the people. That is why there was simple, direct and personal industrial relation existing that time. This situation underwent a marked change with the advent of industrial revolution – size of the business increased which need huge financial investment and human resources, a new class of learned and professional degree holders managers also emerged causing divorce between ownership and management, and relations between the employer and the employer became entranged and gradually antagonistic. This new set-up rendered the old philosophy of industrial relation irrelevant and gave rise to complex, indirect, and impersonal industrial relations.

Industry today is neither viewed as a venture of employers alone nor profit if considered as its sole objective. Now it is seemed as a venture based on purposeful cooperation between management and labour in the process of production and maximum social good is regarded as its ultimate end and both management and employees contribute in their own way towards its success. This is time of societal marketing in which not only labour and management relationship but welfare of society is to be ensured besides earning profit. Similarly, labour today is no more an unorganized mass of ignorant works ready to obey without resentment or protest the arbitrary and discretionary dictates of management. The management has to deal with employees today not as individuals but also as members of organized social groups who are very much conscious about their rights and have substantial bargaining strength. Hence, the objective of evolving and maintaining sound industrial relations is not only to find our ways and means to solve conflicts to resolve differences but also to secure the cooperation among the employees in the conduct of industry. This is a big challenge for the HR managers to ensure this objective of keeping conflicts away and securing cooperation of employees for the attainment of various goals and profit. But maintaining smooth industrial relation is not an easy task. Almost all the industrialized countries of the world face the problem of establishing and maintaining good management worker relationships in their industries. As here in India, we have seen the example of MARUTI PLANT at Manesar, each country has sought to find our solution, depending upon its economic, social and political environment. However, industrial conflict still arises and therefore establishment and maintenance of satisfactory industrial relations forms an important plank in the personnel policies of modern organization. Industrial conflict also keeps the good industrialist away from the investment which ultimately results in slow growth rate and under developed economy of the country.

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## **7.2 MEANING AND NATURE OF INDUSTRIAL RELATIONS**

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### **Meaning of Industrial Relation**

Industrial relations are an integral aspect of social relations arising out of employer-employee interactions in modern industries, which are regulated by the state in varying degrees, in conjunction with organized social forces and influenced by the existing institutions. This involves a study of the legal system, and the workers and employers organizations at the institutional level and of the patterns of industrial organization (including management), capital structure (including technology), compensation of the labour forces, and a study of market forces-all at the economic level.

Industrial societies necessarily create industrial relations defined as complex of interrelations among workers. Managers and government. According to Cassel man's Labour Dictionary, Industrial relations denote

the relations between employers and employees in industry. In a broad sense, the term also includes the relations between the various unions, between the state, and the unions as well as those between employers and the states.

The above definition reveals that industrial relations arise out of employer-employee interaction in modern industries which are regulated by the Government in varying degrees. The concept of industrial relations has been extended to denote the relations of the state with employers, workers and their organizations. The subject, therefore, includes individual's relations and joint consultation between employees and workpeople at their workplace; collective relations between employers and their organizations and trade unions and the part played by the state in regulating these relations.

The term industrial relations refer to all types of relationships between the parties concerned with industry. The parties related to industry are the workers and the management representing the owners. Therefore the term should not be restricted to mean merely the relationship between union and management, but a vast complex of relationship between management and employees, union and management, union and employees and between employees themselves. However the major parties to industrial relations are workers and management. Both the parties have a common interest in industry but many times they are found to be pulling in different direction which leads to industrial unrest. Therefore it has become necessary to secure the cooperation of both the parties to improve their relation which is a pre condition to growth and stability of industry. State interference in the regulation of labour management relations has been constantly growing and thus the area of industrial relations has been extended to relations cover all such relationships that a business enterprise maintains with various sections of the society such as workers, state customers and public who come into its contact. While in the narrow sense, it refers to all types of relationships between employer and employees, trade union and management, works and union and between workers and workers. It also includes all sorts of relationships at both formal and informal levels in the organization.

The term 'industrial relations' has been variously defined. J.T. Dunlop defines industrial relations as "the complex interrelations among managers, workers and agencies of the governments". According to Dale Yoder "industrial relations is the process of management dealing with one or more unions with a view to negotiate and subsequently administer collective bargaining agreement or labour contract".

In industrial relations, therefore, one seeks to study how people get on together at their work, what difficulties arise between them, how their relations including wages and working conditions etc., are regulated. Industrial relations, thus, include both 'industrial relations' and 'collective relations' as well as the role of the state in regulating these relations. Such a relationship is therefore complex and multidimensional resting on economic, social, psychological, ethical, occupational, political and legal



levels. There are mainly two set of factors that determine the state of **Industrial Relations** – whether good or poor in any country. The first set of factors, described as ‘institutional factors’ include type of labour legislation, policy of state relating to labour and industry, extent and stage of development of trade unions and employers’ organizations and the type of social institutions. The other set of factors, described as ‘economic factors’ include the nature of economic organization capitalist, socialist technology, the sources of demand and supply in the labour market, the nature and composition of labour force etc.

### **Nature of Industrial Relation**

Industrial relations now-a-days are not solely determined by direct relationship between employers and employees. State participation in the regulation of labour management relations has been constantly growing. Hence the era of industrial relations has been extended to relations of the state with employers, employees and their organizations. They are complex and multidimensional resting on economic, historical, social, psychological, ethical, political, legal and other variables.

Industrial relations in the modern times call for inter disciplinary approaches to their study. If we make industrial disputes the centre of the circle, it will have to be divided into many segments. A study of the conditions of the work, mainly of the levels of the wages and security of employment, comes under the purview of economic, their origin and development under history, the resultant social conflicts under sociology, the attitudes of the combatants, the government and the press under social psychology, their cultural interactions under cultural anthropology, state policies bearing on the issues involved in the conflict under political sciences, the legal aspects of disputes under law, the technological aspects (like control of temperature and introduction of rationalization) of disputes under technology etc.

### **Aspects of Industrial Relations**

Industrial relations refer to continuing relationship that emerges out of the day to day association between the labour and the management. There are two important aspects of such relationship:

- I.** Relations between individual employee(s) and manager(s) called **personal relations**.
- II.** Collective relations between labour unions and management called **labour relations or labour-management relations**. The pattern of labour-management relations is shaped by State intervention.

#### **17.2.1 DISTINCTION BETWEEN HUMAN RELATIONS & INDUSTRIAL RELATIONS**

The term ‘human relation’ is widely used for inter-personal relationships among individuals as well as the behavior of individuals as members of groups. The term ‘industrial relations’ is used widely in

industrial organizations and refers to the relations between the employers and workers in an organization, at any specified time.

Thus, while problem of human relations are personal in character and are related to the behavior of individuals where moral and social element predominate, the term 'industrial relations' is comprehensive covering human relations and the relations between the employers and workers in an organization as well as matters regulated by law or by specific collective agreement arrived at between trade unions and the management.

### **7.2.2 IMPORTANCE OF GOOD INDUSTRIAL RELATIONS**

Maintenance of harmonious industrial relations is on vital importance for the survival and growth of the industrial enterprise. Good industrial relations result in increased efficiency and hence prosperity, reduced turnover and other tangible benefits to the organization. The significance of industrial relations can be summarized as below:

1. Industrial relations help in settling employees problems through collective bargaining, mutual cooperation and mutual agreement amongst the parties i.e., management and employees' unions.
2. This helps in establishing industrial democracy in the organization which motivates them to contribute their best to the growth and prosperity of the organization.
3. Good industrial relations lead to increased efficiency and hence higher productivity and income. This will result in economic development of the economy.
4. Good industrial relations, built-in mutual cooperation and common agreed approach motivate one to contribute one's best, result in higher productivity and hence income, give more job satisfaction and help improve the morale of the workers.
5. Good and harmonious industrial relations create a sense of belongingness and group-cohesiveness among workers, and also a congenial environment resulting in less industrial unrest, grievances and disputes.
6. It ensures optimum use of resources, both human and materials, eliminating all types of wastage.
7. Industrial relations involve setting up machinery to solve problems confronted by management and employees through mutual agreement to which both these parties are bound which results in banning of the unfair practices being used by employers or trade unions.

8. Industrial relations necessitate passing of certain labour laws to protect and promote the welfare of labour and safeguard interests of all the parties against unfair means or practices. **Industrial Relations**
9. Good industrial relations help in improvement of cooperation, team work, performance and productivity and hence in taking full advantages of modern inventions, innovations and other scientific and technological advances.
10. It helps the work force to adjust them to change easily and quickly.

### **7.2.3 CAUSES OF INDUSTRIAL DISPUTES AND POOR INDUSTRIAL RELATIONS**

According to Section 2 of Industrial Dispute Act, 1947, "Industrial dispute means any dispute or difference between employers and employees or between employers and workmen or between workmen and workmen, which is connected with the employment or non employment or the terms of employment or with the conditions of labour of any person." Industrial disputes are symptoms of industrial unrest which may take either unorganized or organized form. Industrial disputes may be individual disputes related to compensation for wrongful termination. Disputes relating to wages, bonus, profit sharing and hours of work are related to collective disputes. Whenever industrial arise workers generally resort to strikes, boycotts and gherao etc while management use lock-out and termination of services as their weapons to put pressure on employees. The main causes of industrial disputes and poor industrial relations are as follows:

- Perhaps the main cause or source of poor industrial relations resulting in inefficiency and labour unrest is mental laziness on the part of both management and labour;
- Management does not bother to devise the best method but leaves it mainly to the subordinates to work it out for themselves;
- Contempt on the part of the employers towards the workers is another major cause. Inadequate fixation of wage or wage structure;
- Unhealthy working conditions;
- Indiscipline shown by workers;
- Demand for higher gratuity and other retire benefits;
- Demand for higher bonus;
- Inappropriate introduction of automation without providing the right climate;
- Unduly heavy workloads;
- Inadequate welfare facilities;

- Dispute on sharing the gains of productivity;
- Unfair labour practices, like victimization and undue dismissal;
- Retrenchment, transfer, layoffs promotions, dismissals and lock-outs on the part of management and strikes on the part of the workers;
- Inter-union rivalries; and
- General economic and political environment, such as rising prices, strikes by others, and general indiscipline having their effect on the employees' attitudes.

#### **7.2.4 OBJECTIVES OF INDUSTRIAL RELATIONS**

##### **Objectives:**

1. To protect the interests of employees as well as management by securing the highest level of mutual understanding and goodwill among them.
2. To avoid industrial conflicts and minimize the occurrence of strikes, lockouts and gheraos.
3. To establish a proper channel of communication between workers and management.
4. To ensure constructive contributions of trade unions.
5. To ensure worker's participation in decision-making and to minimize labour turnover.
6. To increase the morale and discipline of workers.
7. To ensure better working conditions, living conditions and reasonable wages.
8. To develop employees to adapt themselves for technological, social and economic changes.
9. To make positive contributions for the economic development of the country.

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### **7.3 APPROACHES TO INDUSTRIAL RELATIONS**

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Industrial conflicts are the results of several socio-economic, psychological and political factors. Various lines of thoughts have been expressed and approaches used to explain his complex phenomenon. One observer has stated, "An economist tries to interpret industrial conflict in terms of impersonal markets forces and laws of supply demand. To a politician, industrial conflict is a war of different ideologies – perhaps a class-war. To a psychologist, industrial conflict means the conflicting

interests, aspirations, goals, motives and perceptions of different groups of individuals, operating within and reacting to a given socio-economic and political environment”.

### **Psychological approach:**

According to psychologists, problems of industrial relations have their origin in the perceptions of the management, unions and rank and file workers. These perceptions may be the perceptions of persons, of situations or of issues involved in the conflict. The perceptions of situations and issues differ because the same position may appear entirely different to different parties. The perceptions of unions and of the management of the same issues may be widely different and, hence, clashes and may arise between the two parties. Other factors also influence perception and may bring about clashes.

The reasons of strained industrial relations between the employers and the employees can be understood by studying differences in the perception of issues, situations and persons between the management groups and labour groups.

The organizational behavior of inter-groups of management and workers is of crucial importance in the pattern of industrial relations. The group-dynamics between the two conflicting groups in industrial relations tend to shape the behavioural pattern.

### **Sociological approach:**

Industry is a social world in miniature. The management goals, workers' attitudes, perception of change in industry, are all, in turn, decided by broad social factors like the culture of the institutions, customs, structural changes, status-symbols, rationality, acceptance or resistance to change, tolerance etc. industry is, thus inseparable from the society in which it functions. Through the main function of an industry is economic, its social consequences are also important such as urbanization, social mobility, housing and transport problem in industrial areas, disintegration of family structure, stress and strain, etc. As industries develop, a new industrial-cum-social pattern emerges, which provides general new relationships, institutions and behavioural pattern and new techniques of handling human resources. These do influence the development of industrial relations.

### **Human relations approach**

Human resources are up of living human beings. They want freedom of speech, of thought of expression, of movement, etc. When employers treat them as inanimate objects, encroach on their expectations, throat-cuts, conflicts and tensions arise. In fact major problems in industrial relations arise out of a tension which is created because of the employer's pressures and workers' reactions, protests and resistance to these pressures through protective mechanisms in the form of workers' organization, associations and trade unions.

Through tension is more direct in work place; gradually it extends to the whole industry and sometimes affects the entire economy of the country. Therefore, the management must realize that efforts are made to set right the situation. Services of specialists in Behavioural Sciences (namely, psychologists, industrial engineers, human relations expert and personnel managers) are used to deal with such related problems. Assistance is also taken from economists, anthropologists, psychiatrists, pedagogists, and tec. In resolving conflicts. Understanding of human behavior-both individual and groups-is a pre-requisite for the employers, the union leaders and the government – more so for the management. Conflicts cannot be resolved unless the management must learn and know what the basic what the basic needs of men are and how they can be motivated to work effectively.

It has now been increasingly recognized that much can be gained by the managers and the worker, if they understand and apply the techniques of human relations approaches to industrial relations. The workers are likely to attain greater job satisfaction, develop greater involvement in their work and achieve a measure of identification of their objectives with the objective of the organization; the manager, on their part, would develop greater insight and effectiveness in their work.

**In brief the different approaches are used to provide principles for good industrial relations. These principles are given as follows:**

- The willingness and ability of management and trade unions to deal with the problems freely, independently and with responsibility.
- Recognition of collective bargaining.
- Desirability of associations of workers and managements with the Government while formulating and implementing policies relating to general economic and social measures affecting industrial relations.
- Fair redressal of employee grievances by the management
- Providing satisfactory working conditions and payment of fair wage.
- Introducing a suitable system of employee education and training.
- Developing proper communication system between management and employees.
- To ensure better working conditions. Living conditions and reasonable wages.
- To develop employees to adapt themselves for technological, social and economic changes.
- To make positive contributions for the economic development of the country.

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## 7.4 ILO IN INDUSTRIAL RELATIONS

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The International Labour Organization (ILO) was set up in 1919 by the Versailles Peace Conference as an autonomous body associated with the League of Nations. The ILO was the only international organization that survived the Second World War even after the dissolution of its parent body. It became the first specialized agency of the United Nations in 1946 in accordance with an agreement entered into between the two organizations. India has been a member of the ILO since its inception. A unique feature of the ILO, as distinct from other international institutions, is its tripartite character.

*The aims and objectives* of ILO are set out in the preamble to its Constitution and in the Declaration of Philadelphia (1944) which was formally annexed to the Constitution in 1946. The preamble affirms that universal and lasting peace can be established only if it is based upon social justice, draws attention to the existence of conditions of labour involving injustice, hardship and privation of a large number of people, and declares that improvement of these conditions is urgently required through such means as the regulation of hours of work, prevention of unemployment, provision of an adequate living wage, protection of workers against sickness, disease, and injury arising out of employment, protection of children, young persons and women, protection of the interests of migrant workers, recognition of the principle of freedom of association, and organization of vocational and technical education. The preamble also states that the failure of any nation to adopt human conditions of labour is an obstacle in the way of other nations desiring to improve labour conditions in their own countries.

***The three main functions of the ILO are;***

- To establish international labour standards;
- To collect and disseminate information on labour and industrial conditions; and
- To provide technical assistance for carrying out programmes of social and economic development.

From the very beginning, the ILO has been confronted with the tremendous task of promoting social justice by improving the work and conditions of life in all parts of the world.

The ILO consists of three principal organs, namely, the International Labour Conference, the Governing Body and the International Labour Office. The work of the conference and the governing body is supplemented by that of regional conferences, Regional Advisory Committees, Industrial Committees, etc. The meeting of the general conference, held normally every year, are attended by four delegates from each member state, of whom two are government delegates and one each representing respectively the employers and the work people

of the state. The international labour conference is the supreme organ of the ILO and acts as the legislative wing of the organization. The general conference elect the Governing Body, adopt the Organization's programme and budget, adopt international labour standards in the form of conventions and recommendations and provide a forum for discussion of social and labour issues. The governing body is the executive wing of the organization. It appoints the Director-General, draws up the agenda of each session of the conference and examines the implementation by member countries of its conventions and recommendations. The international labour office, whose headquarters are located at Geneva, provides the secretariat for all conferences and other meetings and is responsible for the day-to-day implementation of the administrative and other decisions of the conference, the conference, the governing body, etc. The Director-General is the chief executive of the international labour office. An important aspect of its work relates to the provision of assistance to member States. It also serves as a clearing house of information on all labour matters.

In order to achieve its objective, the ILO has relied on its standard-setting function. The international labour standards take the form of conventions and recommendations. A convention is a treaty which, when ratified, creates binding international obligations on the country concerned. On the other hand, a recommendation creates no such obligations but is essentially a guide to national actions. The ILO adopted a series of Conventions and Recommendations covering hours of work, employment of women, children and young persons, weekly rest, holidays leave with wages, night work, industrial safety, health, hygiene, labour inspection, social security, labour-management, relations, freedom of association, wages and wage fixation, productivity, employment, etc. one of the fundamental obligations imposed on governments by the Constitutions of the ILO is that they must submit the instruments before the competent national or State or provincial authorities within a maximum period of 18 months of their adoption by the conference for such actions as might be considered practicable. These dynamic instruments continue to be the principal means at the disposal of the ILO to strive for establishing a just, democratic and changing social order necessary for lasting peace. In fact, these instruments have been included in the category of "international labour legislation". These conventions and Recommendations taken together are known as the "International Labour Code". Wilfred Jenks describes the International Labour Code as the corpus juris of social justice.

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## **7.5 EVOLUTION OF IR IN INDIA**

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India is primarily an agricultural country. Immediately after India became a Sovereign Democratic Republic, the concept of planned economic development through planning was accepted and the Planning Commission was set up in March 1950. The advent of the era of planning brought in its wake a set of new problems and popular expectations. The



11 successive plans laid down certain principles regarding: (i) worker's right of association and organization, (ii) the machinery and procedure for settlement of disputes and the implementation of awards and agreements. The plans have had two distinctive objectives in regard to industrial relation; (i) the avoidance of industrial disputes and creation of machinery for the settlement of industrial disputes and (ii) The creation of necessary atmosphere for development of labour management co-operation and harmonious relations through the adaptation of suitable institutional frame work.

The application of the concept of social justice is the primary objective of the state as envisaged in our constitution. Social justice is one of the aspirations of the Indian constitution. Supreme Court has also enforced labour laws in India. The ILO has played a key role in promoting international labour standards. It was set up in 1919. India is a founder member of ILO.

The central laws relating to the subject of labour relations are currently the Industrial Dispute act 1947, the trade Unions Act 1926, the Factories act, 1948, the Employees' Compensation act 1923, the Employees' State Insurance Act 1948, the Maturity Benefit Act 1961. The Employees' Provident Fund and Misc. Provisions Act 1952, the Payment of Wages Act, 1936, The minimum wages act 1948, the apprentices act 1961, The Payment of Bonus Act, 1965 and the Industrial Employment (Standing Orders) Act 1946, Sales Promotion Employees (Conditions of Service) Act, 1976. There are state level laws too.

Indian government has ensured that there is work for all who are available for and seeking work and such work is as productive as possible, there is freedom of choice of employment and fullest possible opportunities for each worker irrespective of race, colour, sex, religion, social origin and political opinion. On the basis of above said policy, workers are given the right to work of one's choice, right against discrimination, prohibition of child labour, right to social security, right to redressal of grievances, right to organize and form trade unions and right to collective bargaining and right to participation in management, right to guaranteed wages etc.

The emergence of globalization, liberalization and privatization has brought new challenges. Therefore labour laws were being amended several times to maintain good industrial relations in India. In view of this second National Commission on labour had recommended some hardway to remove the irritants and stumbling blocks. Disinvestment/privatization and VRS are almost accepted facts of modern industrial relations. Social security and employment guarantee schemes like MNREGA, Asha workers, Anganwadi workers are being provided for unorganized and agricultural sectors. The establishment of 'special economic zones' is another area which shows the emergence of business scenario and attitude of government towards IR. The attitude of judiciary is also changing. The recent judgements of the Supreme Court on contract labour, disciplinary

action and absenteeism and strikes shows the viewpoint of global competition and economic reforms.

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## **7.6 ROLE OF STATE & TRADE UNIONS IN INDUSTRIAL RELATIONS:**

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### *Role of state in industrial relations:*

In recent years the State has played an important role in regulating industrial relations but the extent of its involvement in the process is determined by the level of social and economic development while the mode of intervention gets patterned in conformity with the political system obtaining in the country and the social and cultural traditions of its people. The degree of State intervention is also determined by the stage of economic development. For example, in a developing economy like ours, work-stoppages to settle claims have more serious consequences than in a developed economy and similarly, a free market economy may leave the parties free to settle their relations through strikes and lockouts but in other systems varying degrees of state participation is required for building up sound industrial relations.

In India, the role played by the State is an important feature in the field of industrial relations and state intervention in this area has assumed a more direct form. The state has enacted procedural as well as substantive laws to regulate industry in the country.

### *Role of trade unions in maintaining industrial relations:*

The trade unions have a crucial role to play in maintaining smooth industrial relations. It is true that the unions have to protect and safeguard the interests of the workers through collective bargaining. But at the same time they have equal responsibility to see that the organization does not suffer on account of their direct actions such as strikes, even for trivial reasons. They must be able to understand and appreciate the problems of management and must adopt a policy of 'give and take' while bargaining with the managements. Trade unions must understand that both management and workers depend on each other and any sort of problem on either side will do harm to both sides. Besides public employees are also affected, particularly when the institutions involved are public utility organizations.

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## **17.7 EMPLOYER'S ORGANIZATION**

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As workers get together for joint action through trade unions, likewise employers organize themselves in furtherance of common objectives of evolving common attitudes to labour or approaches to national policies, as also for standardization of wages and other conditions of employment in the industry within a local area. The main objectives of employer's organization are as follows:

- i. To promote collective bargaining in different levels

- ii. To develop healthy and stable industrial relations
- iii. To bring a unified employers' viewpoint on various issues of industrial relations
- iv. To represent employers' organization in the meetings of ILC and SLC boards in conformity with tripartite approach to labour matters

### **Origin, Growth and Development:**

The origin, growth and development of employers, organization have three distinct phases: the period prior to 1930, the period from 1930 to 1946 and the post-Independence period.

1. **Pre 1930 period:** The period was characterized mainly by the formation of associations of merchants in the form of chambers of commerce. During the latter half of the last century, industrial associations also came into being with the aim of protecting the commercial interests of their members and securing concessions from the government. The regional associations like. The Bombay Mill Owners Associations, The Bengal Mill Owners Association, and The Ahmadabad Mill Owner Associations were formed.
2. **1931-1946:** Organizing chambers of commerce and industrial associations for dealing with variety of problems connected with industry was the rule prior to 1930. Some of these chambers dealt with labour matters too. The All India Organization of Industrial Employers (AIOE) and the Employers' Federation of India (EFI) came into existence in 1933 to comprehend and deal with problems of industrial labour in a concerted manner. The All India Manufacturers' Organization (AIMO) was formed in 1941.
3. **Post Independence period:** The period since independence witnessed the growth of planning, expansion of industrial activities, extension of democratic apparatus and several labour laws etc which acted as spur for strengthening and expansion of employers' organization. At present employers' organization are organized at three levels: (a) employers operating through their local organization otherwise, (b) industrial associations which cut across state boundaries; and (c) federation which comprise representatives both of industries and centers. The period witnessed significant developments and several employers' organizations and federations were setup.

### **Role and Functions of Employers' Organizations:**

The main role and function of an employers' organization is to protect and promote the interest of its members. Its activities are designed and directed in such a manner that their members stand to gain. Organizations have to work on broader plane, labour problems are the only a part of their overall responsibilities. Economic, commercial, fiscal matters and policies are equally or even more important for them. The

organizations represent their members view in formation of government's policies, rules and regulation and giving advice to members on the interpretations and extent of applicability of agreements and new acts and regulations.

Employers' organization involve themselves in politics also for legislative support to realize their objectives. Political activity by employers' organization may be as inimical to peace in industry as that by workers associations. Along with their economic gains they also keep in view the needs of the developing economy, the requirement of planned growth, importance of maintenance of peace in industry and social responsibilities.

### **Employers' Federations:**

The main employers' organization are as follows:

1. Employers' Federation of India (EFI)
2. The All India Organization of Employers (AIOE)
3. The All India Manufacturers Organization (AIMO)
4. Council of Indian Employers (CIE)
5. Federation of Indian Chambers of Commerce and Industry (FICCI)
6. The Associated Chamber of Commerce and Industry of India (ASSOCHAM)
7. Standing Conference of Public Enterprises (SCOPE)

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## **7.8 SUMMARY**

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Industrial relations are an integral aspect of social relations arising out of employer-employee interactions in modern industries, which are regulated by the state in varying degrees, in conjunction with organized social forces and influenced by the existing institutions. This involves a study of the legal system, and the workers and employers organizations at the institutional level and of the patterns of industrial organization (including management), capital structure (including technology), compensation of the labour forces, and a study of market forces-all at the economic level. It has two faces as cooperation and conflict. Industrial relations are invariably a combination of cooperation, collaboration and conflict between labour and management. Thus, the relationship revolves into a form of cycle, starting with cooperation soon changes into conflict and after its resolution, again changes into cooperation. However, efforts should be made to seek the maximum degree of cooperation and collaboration between them so that organizational objectives may be achieved efficiently. The term 'human relation' is widely used for inter-

personal relationships among individuals as well as the behavior of individuals as members of groups. The term 'industrial relations' is used widely in industrial organizations and refers to the relations between the employers and workers in an organization, at any specified time.

## **Industrial Relations**

According to psychologists, problems of industrial relations have their origin in the perceptions of the management, unions and rank and file workers. These perceptions may be the perceptions of persons, of situations or of issues involved in the conflict. According to sociologists, industry is economic, its social consequences are also important such as urbanization, social mobility, housing and transport problem in industrial areas, disintegration of family structure, stress and strain, etc. according to human relation approach, major problems in industrial relations arise out of a tension which is created of the employer's pressures and workers' reactions, protests and resistance to these pressures through protective mechanisms in the form of workers' organization, associations and trade unions.

The International labour Organization (ILO) was set up in 1919 by the Versailles Peace Conference as an autonomous body associated with the League of Nations. The three main functions of the ILO are to establish international labour standards; to collect and disseminate information on labour and industrial conditions; and to provide technical assistance for carrying out programmes of social and economic development. From the very beginning, the ILO has been confronted with the tremendous task of promoting social justice by improving the work and conditions of life in all parts of the world.

In recent years the state has played an important role in regulating industrial relations but the extent of its involvement in the process is determined by the level of social and economic development while the mode of intervention gets patterned in conformity with the political system obtaining in the country and the social and cultural traditions of its people. The degree of State intervention is also determined by the stage of economic develop. The trade unions have a crucial role to play in maintaining smooth industrial relation. It is true that the unions have to protect and safeguard the interests of the workers through collective bargaining. But at the same time they have equal responsibility to see that the organization does not suffer on account of their direct actions such as strike, even for trivial reasons.

The main objectives of employer's organization are to promote collective bargaining in different levels, to develop healthy and stable industrial relations, to bring a unified employer's viewpoint on various issues of industrial relations. The main role and function of an employers organization is to protect and promote the interest of its members. Its activities are designed and directed in such a manner that their members stand to gain. Organizations have to work on broader plane, labour problems are the only a part of overall responsibilities.

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## **7.10 FURTHER READINGS**

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1. Bhagoliwal TN, Personal Management and Industrial Relations, Agra, Publ.
2. Arun Monappa, Industrial Relations, Tata Mc Graw Hill.
3. Michael V P, HRM and Human Relations, Himalaya.
4. Mamoria and Mamoria, Dynamics of Industrial Relations in India, Himalaya.
5. Chhabra, TN, Fundamentals of Human Resource Management, Sun India Publication, New Delhi.

## UNIT 8

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### **DISCIPLINES & GRIEVANCES CELL ROCEDURE**

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#### **Objectives:**

After studying this lesson, you will be able to:

- explain the meaning & importance of discipline and indiscipline;
- identify the features of grievance handling and its procedure.
- describe the various approaches of labour turnover like separation, retrenchment, voluntary retirement and dismissal;
- understand the meaning and causes of absenteeism

#### **Structure:**

- 8.1** Meaning & Definition of employee discipline
- 8.2** Indiscipline
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### **8.1 EMPLOYEE DISCIPLINE**

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Discipline may be defined as an attitude of mind which aims at inculcating restraint, orderly behaviour and respect for and willing obedience to a recognized authority. In any industry discipline is a useful tool for developing, improving and stabilizing the personality of workers. Industrial discipline is essential for the smooth running of an organization,

for increasing production and productivity, for the maintenance of industrial peace and for the prosperity of the industry and the nation. It is a process of bringing multifarious advantages to the organization and its employees.

### **Meaning**

Webster's Dictionary give three meaning to the word-"discipline". First, it is the training that corrects, moulds, strengthens or perfects individual behaviour; second, it is control gained by enforcing obedience ; and third, it is punishment or chastisement.

According to Dr. Spiegel, "discipline is the force that prompts an individual or a group to observe the rules, regulations and procedure which are deemed to be necessary to the attainment of an objectives; It is force or fear of force which restrains an individual or a group from doing things which are deemed to be destructive of group objectives.

Discipline is product of culture and environment and a basis part of the management of employee attitudes and behaviour. It is a determinative and positive willingness which prompts individuals and groups to carry out the instructions issued by management, and abide by the rules of control and standard or work which have been established to ensure the successful attainment of organizational objectives. It is also a punitive or a big stick approach which imposes a penalty or punishment in case of disciplinary violantions.

There are two types of discipline, one is positive and other is negative. *Positive Discipline* employees constructive force to secure its compliance. It is immeasurably more effective and pays a greater role in business management. *Negative Discipline* , on the other hand, includes both the application of penalties for violation and the fear of penalties that serve as a deterrent to violation. Positive discipline prevails only where the empolyees have a high morale. In other situations, negative discipline becomes unavoidable.

### **Aims and objectives**

The main aims and objectives of discipline are:

- To obtain a willing a acceptance of the rules, regulations and procedures of an organization so that organizational objectives can be attained.
- To develop among the employees a spirit of tolerance and a desire to make adjustment;
- To give and seek direction and responsibility;
- To create an atmosphere of respect for human personality and human relations;
- To increase the working efficiency morale of the employees; and



- To impart an element of certainty despite several differences in informal behaviour patterns and other related changes in an organization.

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## **8.2 INDISCIPLINE**

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The term 'indiscipline' generally means the violation of formal or informal rules and regulations in an organization. Indiscipline, if unchecked, will affect the morale of the organization. Hence indiscipline is to checked by appropriate positive means to maintain industrial peace.

### **Causes for indiscipline in organisations**

It is more complex and difficult to identify the causes of indiscipline. The policies and procedure of organization , the attitude of the management towards workers, the attitude of workers, individual behaviour etc. are the causes for indiscipline.

The important causes for indiscipline are:

- Ineffective leadership to control, coordinate and motive workers.
- Low wages and poor working conditions.
- Lack of timely redressal or workers grievances.
- Lack of defective grievance procedure.
- Character of the workers such as gambling, drinking, violet nature etc.
- Political influence.

### **Principle of Effective Discipline**

Discipline actions have serious repercussions on the employees and on the industry, and , therefore, must be based on certain principles in order to be fair, just and acceptable to be the employees and their unions. Therefore, in any discipline maintenance system, certain principles are to be observed such as :

1. The rules of disciplines, as far as possible, should be framed in cooperation and collaboration with the representatives of employees for their easy implementation. Employees in a group should be associated in the process of discipline enforcement. The group as a whole can control an individual work much more effectively than the management can through a process of remote control or by imposing occassional penalties. Informal groups are likely to exert social pressure on wrong-doers avoiding the need for negative disciplinary actions.
2. The rules and regulations should be appraised at frequent and regular intervals to ensure that they are appropriate, sensible and useful.

3. The rules and regulations should be flexible to suit different categories of employees in the organisation, i.e. both the blue-collar workers and white collar employees.
4. The rules must be uniformly enforced for their proper acceptance. They must be applied fairly and impersonally. In other words, all defaulters should be treated alike, depending upon the nature of their offence and past record. Any discrimination or favoritism in this regard is likely to create discontent among the employees. Further, there should be a definite and precise provision for appeal and review of all disciplinary actions.
5. The rules of discipline embodied in the standing orders, or in the company's manual, must be properly and carefully communicated to every employee preferably at the time of induction for their easy acceptance. It serves as a warning and a learning process and helps to improve future behaviour of the employees in the enterprise.
6. Every kind of disciplinary penalty, even if is a rebuke or warning, should be recorded. In some of the American industries they have what is known as the 'pink slip system'. Pink slips are issued as warning signals to a defaulting employee. A person who has been issued with a stated number of pink slips will be liable to be laid-off or discharged, and no elaborate procedure has to be followed.
7. The responsibility for maintaining employee discipline should be entrusted to a responsible person (e.g. a line executive), through it is the personnel officer who should be given the responsibility of offering advice and assistance. The line executive should issue only verbal and written warnings. In serious matters, which warrant suspension, discharge etc., the industrial relations departments should be consulted.
8. Discipline actions should be taken in private because its main objectives in to ensure that a wrong behaviour is corrected and not that the wrongdoer is punished. If disciplinary actions are taken in the presence of other employees, it may offend the sense of dignity of the employee and impair his social standing with his colleagues. Similarly, an immediate supervisor should never be disciplined in the presence of his subordinates. If his happens, it would lower his status and authority, and make it difficult, if not impossible, for him to discipline his subordinates under certain circumstances.
9. A punitive actions must satisfy the principle of natural justice. The management must act without bias and without vindictiveness, and its disciplinary actions must be based on justice and fairplay. The punishment should be commensurate with the gravity of the offence. An individual is presumed to be innocent until he is proved to be guilty. The burden of proof is on the employer and not on the employee.

The different approaches to discipline include –

- Human Relations Approach
- Human Resource Approach
- Group Discipline Approach
- The Leadership Approach

Under human relations approach, the employee is treated as human being and his acts of indiscipline will be dealt from the view point of human values, aspirations, problems, needs, goals, behaviours etc. In this approach the employee is helped to correct his deviations.

Under human resource approach, the employee is considered as 'resource' as an asset to the organisation. This approach analysis the cause of indiscipline from management activities such as defects in selections, training, motivations, leadership etc. after indentifying the defects, corrective are carried out by the management.

Under group discipline approach, group as a whole, sets the standard of discilines and punishments for the deviation. In this approach, trade unions also acts as agencies in maintaining discipline in work situation.

Under the leadership approach, in disciplinary cases are dealt on the basis of lesislations and court decisions. The Industrial Employment (Standing Orders) Act, 1946 to a certain extent, prescribed the correct procedure that should be followed be followed before awarding punishment to an employee.

### **Code of Discipline**

The Fifteenth Indian Labour Conference discussed the question of discipline in industry and lain down the following general principles:

- There should be no lock-out or strike without notice.
- No unilateral action should be taken in connection with any industrial matter.
- There should be no resource to go-slow tactics.
- No deliberate damage should be caused to plant or property.
- Acts of violence, intimidadation, coercion or instigation should not be resorted to.
- The existing machinery for settlement of disputes should be utilized.
- Awards and agreement should be speedily implemented.
- Any agreement which disturbs cordial industrial relations should be avoided.

The code embodies four parts. Part I contains the duties and responsibilities of employees, workers and the government in maintaining discipline in industry. Part II enlists the common obligations of management and unions. Part III deals with the obligations of management only, while part IV relates to those of the unions only. In additions, Annexure –A to the Code embodies the national level agreement on the criteria for the recognition of unions. A supplementary document contains the rights of recognized unions and a model grievance procedure. Thus, the Code is highly comprehensive and ethical in its approach to the industrial relations system. It has been reproduced below.

Part – I : *To maintain discipline in industry (both in public and private sectors)*

There has to be: (i) a just recognition by employers and workers of the rights and responsibilities of either party, as defined by the laws and agreements (including bipartite and tripartite agreement arrived at all levels from time to time); and ii) a proper and willing discharge by either party of its obligation consequent on such recognition.

Part – II *To ensure better discipline in industry, management and unions agree.*

- that no unilateral actions should be taken in connection with any industrial matter and that disputes should be settled at appropriate level;
- that the existing machinery for settlement of disputes should be utilized with the utmost expedition;
- that there should be no strike or lock-out without notice;
- that affirming their faith in democratic principles, they bind themselves to settle all future differences, disputes and grievances by mutual negotiation, conciliation and voluntary arbitration;
- that neither will have recourse to (a) coercion (b) intimidation, (c) victimization, and (d) go-show;
- that they will avoid (a) litigation, (b) sit-down and stay-in-strikes, and (c) lock-outs;
- that they will promote constructive cooperation between their representatives at all levels and as between workers themselves and abide by the spirit of agreements mutually entered into;
- that they will establish upon a mutually agreed basis a Grievance Procedure which will ensure a speedy and full investigation leading to settlement;
- that they abide by various stages in the Grievance Procedure and take no arbitrary action which would by-pass this procedure; and
- that they will educate the management personnel and workers regarding their obligations to each other.

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Part – III *Management agrees*

- not to increase work-loads unless agreed upon or settled otherwise;
- not to support or encourage nay unfair labour practice such as: (a) interference with the right of employees to enroll or continue as union member; (b) discriminations, restraint or coercion against any employee because of recognized activity of trade unions; and (c) victimization of any employee and abouse of authority in any form;
- to take prompt actions for (a) settlement of grievance, and (b) implementation of settlements, awards, decisions and others;
- to display in conspicuous places in the undertaking the provision of this Code in local language(s);
- to distinguish between actions justifying immediate discharge and those where discharge must e preceded by a warning, reprimand, suspension or some other form of disciplinary action and to arrange that all such, discipline action should be subject to an appeal through normal Grievance Procedure;
- to take appropriate discipline action against its officers and members in cases where equiries reveal that they were responsible for precipitate action by workers leading to indiscipline; and
- to recognize the unions in accordance with the criteria (Annexure A given below) enolved at the 16<sup>th</sup> session of the Indian Labour Conference held in May, 1958.

Part-IV: *Unioun(s) agree*

- not to encourage any form of physical duress;
- not to permit demonstrations which are not peaceful and not to permit rowdyism in demonstration;
- that their members will not engage or cuase other employees to engage in any union activity during working hours, unless as provided for by law, agreement or practice;
- to discourage unfair labour practices such as: (a) negligence of duty, (b) careless operation, (c) damage to property, (d) interference with or disturbance to normal work, and (e) insubordination;
- to take promet actions to implement awards, agreements, settlements and decisions;
- to display in conspicuous place in the union, offices the provision of this Code in the local language (s), and

- to express disapproval and to take appropriate action against office bearers and members for indulging in action against the spirit of this Code.

The Code does not have any legal sanction but the following moral sanctions are behind it:

1. The Central Employers' and Workers' Organisations shall take the following steps against their constituent units guilty of breaches of Code:
  - to ask the unit to explain the infringement of the Code;
  - to give notice to the unit to set right the infringement within a specific period;
  - to warn, and in case persistent violation of the Code; and
  - not to give countenance, in any manner, to non-members who did not observe to Code; and
2. Grave, willful and persistent breaches of the Code by any party should be widely publicized.
3. Failure to observe the Code would entail derecognition normally for a period of one year this period proper may be increased or decreased by the implementing Committee concerned.
4. A dispute may not ordinarily be referred for adjudication if there is a strike or lockout without proper notice or in breach of the code as determined by an Implementation.

The Code of Discipline worked well at the beginning of its introduction and had a considerable impact on the industrial relations scene. But, however, the impact of the Code was not sustained over a long period of time due to several problems in its application and implementation. The spirit of the Code has not been imbibed by the central organisation which were signatories to it.

According to the National Commission on Labour, the Code has had only limited success and was obviously not the answer to the industrial relations problems. The code began to rust and the parties were more eager to take it off; they developed an attitude of indifference. As regards the future of the Code, the Commission was in favour of giving a legal form to its important provisions regarding recognition of unions, grievance procedure, unfair labour practices, and the like. With the removal of these provisions from the Code to give them a statutory shape, the Code will have no useful function to perform.

Discipline is a two-way traffic and a breach of discipline on the part of either party in industry will cause unrest. The approach to managing discipline depends to a great extent upon managerial philosophy, culture and attitude towards employees. A negative approach to discipline relies heavily on punitive measures and in the line

with the traditional managerial attitude of 'hire and fire' and obedience to orders. On the other hand, a constructive approach stress on modifying forbidden behaviour by taking positive steps like educating, counseling etc., The concept of positive discipline promotion aims at the generation of a sense of self-discipline and disciplined behaviour in all the human beings in a dynamic organisational setting, instead of discipline imposed by force or punishment. In brief, the approach to the disciplinary action in most cases should be corrective rather than punitive.

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## **8.3 GRIEVANCES HANDLING**

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A grievance is a sign of the employees' discontent with job and its nature. It is caused due to the difference between employee expectation and management practice.

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

Jucius defines a grievance as 'any discontent or dissatisfaction, whether exposed or not, whether valid or not, arising out of anything connected with the company which an employee thinks, believes or even feels to be unfair, unjust and inequitable'.

A grievance is a problem submitted by an employee or by a few employees of different types. It may be concetring a situation or may likely to affect the terms and conditions of employment of one worker or a few workers.

In the Indian context, 'grievance' may be said to 'the representation by a worker, a group of workers of the unions to the management relation to the terms and conditions of employment, breach of the freedom of association or the provisions of standing orders or non-implementation of the Government orders, conciliation agreements or adjudicator awards. It may also include representation against non-compliance with provision of a collective agreement in an establishment where it has been signed.

Grievances usually result in definite and considerable loses to employee morale, efficiency and productivity. The accumulation of grievance leads to strikes, lock outs and other forms of conflicts. Therefore, proper disposal of grievance desreves special and adequate consideration in any programme of harmonizing industrial relations.

### **Areas of Grievances**

#### **Grievances resulting from working conditions**

- Poor physical condition of work place.
- Lack of proper tools, machines and equipments.
- Frequent changes in schedules or procedures.

- Rigid production standards
- Improper matching of the worker with the job.
- Poor relationship with the supervisor.

### **Grievances resulting from management policy and practices**

- Poor payment
- Lack of job security
- Inadequate benefits such as medical benefits, leave travel concession etc.
- Leave facilities
- Seniority
- Transfer
- Promotion
- Lack of career planning and development
- Hostility towards labour union
- Defective leadership style
- Communication gap

### **Grievances resulting from alleged violations of**

- Violation collective bargaining agreement
- Violation of Central/State laws
- Violation of common rules

### **Grievances resulting from personal maladjustment**

- Over ambition
- Excessive self-esteem

### **Methods of Identifying Grievances**

The following methods can help the employer to identify the grievances:

1. *Directive observation:* Knowledge of human behaviour is requisite quality of every good manager. From the changed behaviour of employees, he should be able to sniff the causes of grievance. This he can do without its knowledge to the employee. This method will give general pattern of grievances. In addition to normal routine, periodic interviews with the employees, group meetings and collective bargaining are the specific occasions where direct observation can help in unfolding the grievances.



2. *Grip boxes:* The boxes (like suggestion boxes) are placed at easily accessible spots to most employees in the organisation. The employees can file anonymous complaints about their dissatisfaction in these boxes. Due to anonymity, the fear of managerial action is avoided. Moreover management's interest is also limited to the free and fair views of employees.
3. *Open door policy:* Most democratic by nature, the policy is preached most but practiced very rarely in Indian organisations. But this method, will be more useful in absense of an effective grievance procedure otherwise the organisation will do well to have a grievance procedure. Open door policy demands that the employees, even at the lowest rank, should have easy access to the chief executive to get his grievances redressed.
4. *Exit interview:* Higher employee turnover is a problem of every organisation. Employees leave the organisation either due to dissatisfaction or for better prospects. Exit interviews may be conducted to know the reasons for leaving the job. Properly conducted exit interviews can provide significant information about the strenghts and weakness of the oranisation and can pave way for further improving the management policies for its labour force.

#### **Principles or Guidelines for Grievance Hnadling**

1. In handling grievances, a considerable amount of time must be spent in talking to employees; gathering data from them and passing on various types of information. Such talks be most effectives, should conform to definite pattern policies for its rules.
2. The manager must seek to develop an attitube towards employees that should be helpful in gaining their confidence. The management should also disiply a sincere interest in the problems of employees and their constructive willingness to be help to them with a view to gain not their confidence but also their utmost loyal by and genuine cooperation.
3. The procedure adopt by the management in handling the grievances must be apparent.
4. Grievances should be handled in terms of their total effect on the orgainsation and not solely their immediate or invidual effect.

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### **8.4 GRIEVANCES HANDLING PROCEDURE**

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Grievance procedure is the most significant channel through which dissatisfaction of employees can be communicated to management. A grievance procedure is an ordered multistep process that employer and employee jointly use to redress grievances and resolve disputes that arise. Thus a formal procedure which attempts to resolve the differences of parties involved, in an orderly, peaceful and expeditious manner, may be

defined as grievance procedure or grievance redressal machinery. The steps in this machinery vary from organisation to organisation.

For handling grievances, as a first step, the management is required to designate the persons for each of the various departments to be approached by the workers and the department heads for handling grievances as the second step. A Grievance Committee may also be constituted with representatives of workers and management.

The model grievance procedure gives the various steps through which a grievance is processed.

First, the grievance is taken to the departmental representative of the management who has to give an answer within 48 hours. Failing this, the aggrieved worker/ employee can meet the department head along with the departmental representative of the management and this step is allotted three days. Above this, the grievance is taken up by the Grievance Committee which should make its recommendations to the manager within seven days. The final decision of the management has to be communicated to the workers or employee concerned within three days of the Grievance Committee's recommendation. If the employee is not satisfied, he can make an appeal for revision and the management has to communicate its decision within a week. In the case of non-settlement, the grievance may be referred to voluntary arbitration. The formal conciliation machinery will not be invoked till the final decision of the top management has been found unacceptable by the aggrieved employee.

In the case of any grievance arising out of discharge or dismissal, the workman or employee has the right to appeal either to the dismissing authority or to a senior authority specific by the management within a week from the date of dismissal or discharge.

Although the grievance procedure gives the employees opportunity to raise their grievance to the highest possible level of management, yet they should be resolved as close as possible to their source. The main object of grievance procedure is to resolve the grievance at earliest possible stage. The management must convince itself that justice is not only done, but seen to be done and the presence of a trade union representative with the aggrieved party helps to ensure fair play not only for the employee concerned, but also for his management.

### **Steps in handling grievances**

It is important grievance must be handled in a systematic manner. The following steps should be taken in handling grievances:

1. Defining, describing or expressing the nature of the grievances as clearly and fully as possible;
2. Gathering all facts that serve to explain when, how, where, to whom and why the grievance occurred;
3. Establishing tentative solutions or answers to the grievances;

4. Gathering additional information to check the validity of the solutions and thus ascertain the best possible solution;
5. Applying the solution, and
6. Following up the case to see that it has been handled satisfactorily and the trouble has been eliminated.

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## **8.5 LABOUR TURNOVER**

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In every organisation, employees constantly join and leave for one reason or the other. The relation between the number of persons joining the organization and leaving due to resignation, retirement or retrenchment to the average number on the payroll is called labour turnover. Labour turnover can be defined as the ratio of the number of employees that leave a company through attrition, dismissal, or resignation during a period to the number of employees on payroll during the same period. The rate of labour turnover may be calculated by the following formula:

**Labour Turnover Rate = number of workers joined and left during the year/Average number of workers on the payroll x100**

Labour turnover arises because of accession in the organisation and separation from the organisation. These concepts are defined below:

**Accession:** It means addition of employees due to their appointment in the organisation.

**Separation:** It means separation of employees from the organisation. It includes (a) retirement or death; (b) quit i. e. when an employee resign on his own, (c) layoff, i.e. when an employer removes an employee declaring him to be surplus and (d) discharge, i.e. termination of an employee because of misconduct or poor performance.

### **Measures to Control Labour Turnover**

Excessive labour turnover is not desirable because it shows that labour force is not contented. Therefore, every effort should be made to remove the avoidable causes. The following steps may be taken to reduce the labour turnover.

- (1) A suitable personnel policy should be framed for employing (he right man for the right job and giving a fair and equal treatment to all workers.
- (2) Good working conditions which may be conducive to health and efficiency should be provided.
- (3) Fair rates of pay and allowances and other monetary benefits should be introduced.
- (4) Maximum non-monetary benefits i.e. frings benefits should be introduced.

- (5) Distinctions should be made between efficient and inefficient workers by introducing incentive plans whereby workers may be rewarded more as compared to inefficient workers.
- (6) An employee suggestion scheme should be introduced whereby workers who suggested improvements in the method of production should be suitably rewarded.
- (7) Labour management relationship should be improved by encouraging labour participation in management.

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## 8.6 ABSENTISM

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By absenteeism we mean a condition that arises when an employee fails to come to work when he is scheduled to work. The study of absenteeism is very important because excessive absenteeism tells upon the productivity of the organisation.

Absenteeism is voluntary non attendance at work, without valid reason. Absenteeism means either habitual evasion of work, or willful absence as in strike action. It does not include involuntary or occasional absence due to valid causes, or reasons beyond one's control, such as accidents or sickness.

Absenteeism is an employee's intentional or habitual absence from work. While employers expect workers to miss a certain number of workdays each year, excessive absence can equate to decreased productivity and can have a major effect on company finances, morale and other factors. This article looks at the cause of absenteeism, the costs of lost productivity and what employers can do to reduce absenteeism rates in the workplace.

### Causes of Absenteeism

People miss work for a variety of reasons, many of which are legitimate and others less so. Some of the common causes of absenteeism include (but are not limited to):

- **Bullying and harassment** – Employees who are harassed by coworkers and / or bosses are more likely to call in sick to avoid the situation.
- **Burnout, stress and low morale** – Heavy workloads, stressful meetings/presentations and feelings of being unappreciated can cause employees to avoid going into work. Personal stress (outside of work) can lead to absenteeism.
- **Childcare and eldercare** – Employees may be forced to miss work in order to stay home and take care of a child/elder when normal arrangements have fallen through (for examples, a sick caregiver or a snow day at school) or if a child/elder is sick.

- **Depression** – The leading cause of absenteeism is depression. Depression can lead to substance abuse if people turn to drugs or alcohol to self-medicate their pain or anxiety.
- **Disengagement** – Employees who are not committed to their jobs, coworkers and/ or the company are more likely to miss work simply because they have no motivation to go.
- **Illness**- Injuries, illness and medical appointments are the most commonly reported reasons for missing work (though not always the actual reason). Not surprisingly, each year during the cold and flu season, there is a dramatic spike in absenteeism rates for both full time and part time employees.
- **Injuries** – Accidents can occur on the job or outside of work, resulting in absences. In addition to acute injuries, chronic injuries such as back and neck problems are a common cause of absenteeism.
- **Job hunting** – To attend the job interview may be a reason for absenteeism.
- **Partial shifts** – Arriving late, leaving early and taking longer breaks than allowed are considered forms of absenteeism and can affect productivity and workplace morale.

In brief absenteeism is caused due to sickness, accidents, poor control, gender biased, lack of interest and miscellaneous causes.

**Control of Absenteeism** : The management may use the following measures to control absenteeism;

- **Proper Induction** : Train the new employees preperly.
- **Investigaton**: Analyse the various causes of absenteeism.
- **Punishment** : Take disciplinary action.
- **Counseling** : Employees should be interviewed and provided suggestions.
- **Preventions of accidents** : Take adequate safety measures.
- **Effective Supervision**:

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## **8.7 WORKER’S PARTICIPATION IN MANAGEMENT**

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Worker participation in management is in essential ingredient of industrial democracy. The concept of workers participation in management is based in ‘Human Relations’ approach to management which brought about new set of values to labour and management.

Traditionally, the concept of Workers' Participation in Management (WPM) refers to participation of non-managerial employees in the decision-making process of the organisation. Workers participation in management meets the psychological needs of the workers to a greater extent. That way it may also be treated as the process of delegation of authority in the general areas of managerial functions.

According to one view, workers participation is based on the fundamental concept that the ordinary worker invest his labour in, and ties his fate to, his place of work and, therefore, he has a legitimate right to have a share in influencing the various aspects of company policy”.

To quote the version of British Institute of Management, “Workers’ participation in management is the practice in which employees take part in management decisions and it is based on the assumption of commonality of interest between employer and employee in furthering the long term prospects of the enterprise and those working in it”.

According to G.S. Walpole, participation in management gives the workers a sense of important, price and accomplishment; it given him the freedom and the opportunity for self-expression; a feeling of belonging to his place of work and a sense of workmanship and creativity. It provides for the integration of his interest with those of the management and makes his a joint partner in the enterprise”.

Dr. Alexander considers a management a be participative, “if it gives scope to the workers to influence its decision making process on any level or sphere or if it shares with them some of its managerial prerogatives”.

Clegg says, “It implies a situation where workers representatives are, to some extent, involved in the process of management decision making, but where the ultimate power is in the hands of the management”.

In should be borne in mid that when individuals are provided with opportunity for expression and share in decision-making,they show much initiative and accept responsibility substantially. The rationale of workers’ participation in management lies in that it helps in creation amongst the workers a sense of involvement in their organisation, a better understanding of their role in the smooth functioning of industry and provides them a means of self-realization, thereby, promoting efficiency and increased productivity.

Thus the concept worker’s participation in management encompasses the following:

- It provides scope for employees in the decision making of the organisation.
- The participation may be at the shop level, department level or at the top level.

- The participation includes the willingness to share the responsibility by works as they have a commitment to execute their decisions.
- The participation is conducted through the mechanism of forums which provide for association of workers representatives.
- The basic idea is to develop self control and self discipline among works, so that the management become “Auto Management”.

### **Objectives**

The scheme has economic, psychological, ethical and political objectives.

- Its psychological objectives of the scheme is to secure full recognition of the workers. Association of worker with management provides him with a sense of importance, involvement and a feeling of belongingness. He considers himself to be an indispensable constituent of the organisation.
- Socially, the need for participation is to develop workers free personality and to recognize human dignity.
- The ethical objective of participation is to develop workers free personality and to recognize human dignity.
- The political objective of participation is to develop workers conscious of their democratic rights on their work place and thus bring about industrial democracy.

### **Levels of Participation**

Worker’s participation is possible at all levels of management; the only difference is that of degree and nature of application. For instance, it may be vigorous at lower level and faint at top level. Broadly speaking there is following five levels of participation:

1. *Information participation:* It ensure that employees are able to receive information and express their views pertaining to the matters of general economic importance.
2. *Consultative participation:* Here works are consulted on the matters of employee welfare such a work, safety and health. However, final decision always rests at the option of management and employees’ views are only of advisory nature.
3. *Associative participation:* It is extension of consultative participation as management here is under moral obligation to accept and implement the unanimous decision of employees.
4. *Administration participation:* It ensure greater share of works in discharges of managerial functions. Here, decision already taken by the management come to employees, preferably with

alternatives for administration and employees have to select the best from those for implementation.

5. *Decisive participation*: Highest level of participation where decision are jointly taken on the matters relation to production, welfare etc. is called decisive participation.

### **Forms of Workers' Participation in Management**

The forms of workers participation in management vary from industry to industry and country to country depending upon the political system, pattern of management relations and subject or area of participation. The forms of workers participation may be as follows:

1. Joint Consultation Model
  2. Joint Decision Model
  3. Self Management, or Auto Management Scheme
  4. Workers Representation on Board
1. ***Joint consultation model***: In joint consultation model the management consults with the workers before taking decisions. The workers represent their view through 'Joint consultative Committees'. This form is followed in U.K. Sweden and Poland.
  2. ***Joint decision Model***: In this form both the workers and management jointly decide and execute the decisions. This form of participation is followed in U.S.A. and West Germany.
  3. ***Self management of auto management***: In this model, the entire control is in the hands of workers, Yugoslavia is an example to this model. Where the state industrial units are run by the workers under a scheme called 'Self Management of Auto Management Scheme'.
  4. ***Workers' representation on board***: Under this method, the workers elect their representative and sent them to the Board to participate in the decision making process.

The participation of workers may be formal or informal. In the formal participation, it takes the forms of formal structures such as Works Committee, Shop Councils, Production Committee, Safety Committee, Joint Management Councils, Canteen Committee etc. The informal participation may be such as the supervisor consulting the workers for granting leave, overtime, and allotment of worked or transfer of workers from one departement to another.

### **Workers' Participation in Management in India**

Workers participation in management in India was given important only after independence. Industrial disputes Act of 1947 was the first step in this direction, which recommended for the setting up of Works Committees. The Joint Management Councils were established in 1950



which increased the participation of labour in management. The management scheme, 1970 gave birth to 'Board of Management'. Since July 1975 the two tire participation model called 'Shop Council at the shop level and 'Joint Councils' at the enterprise level were introduced.

Based on the review and performance of previous schemes a new shceme was formulated in 1983. The new shceme of workers participation was applicable to all central public sector enterprises. Exept those specifically exempted. The scheme with eaqual number of representatives will operate both at shop as well as plant level. The various functions of participative forum laid down in the scheme could be modified with the consent of parties. The shceme could not make such head way due to lack of union leaders consensus of the mode of representation and workers's tendency to discuss ultra-vires issues e.g. pay scales, wages etc.

Prior to WPM Bill, 1990 all the schemes of participation were non-statutory and concentrated on particular levels. For effective and meaningful participation at all levels, a bill was introduced in Parliament on 25<sup>th</sup> May, 1990. The bill provide for effective participation at all level by formulating schemes of participation. For electing representatives for participation it also provides for secret ballot. The appropriate government may also appoint inspectors to review participation scheme and the bill also has provision of punishment for those who contravene any of the provision of the Act.

Thus the workers' participation shemes in India provide wide scope for application and upliftment of workers. But in practice, these schemes have not met with success though they are seccessful in some private sector units. The factors responsible for the failure are:

- Attitude of the management towards the scheme is not encouraging. The preventatives of workers are not given due recongnition by the management..
- The attitude of trade unions towards the schemes is negative as they consider these schemes are reducing the power of Trade Unions. Some Trade Unions boycott Joint Management Council meetings.

The success these schemes require certain conditions.

- Management should appreciate the scheme and accept them in full faith.
- Trade unions have to cooperate with the schemes.
- Workers have no be educated.

Thus workers' participation in management in India has yet to succeed. It can be done by educating the workers, creating an environment in the organisation for coordination of workers and management.

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## **8.8 SEPARATION**

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Separation may arise in a number of ways, including resignation, retrenchment, retirement or dismissal. Each brings with it specific sensibilities that must be addressed carefully.

Managing separation is important in terms of staff morale, organisational planning and risk management. Most industrial awards contain clauses regulating termination of employment including redundancy and managers should seek advice if in any doubt about the processes required.

Managers responsible for separations should be aware of the potential difficulties inherent in the processes, and should ensure that the appropriate procedure are applied. The advantage of managing the separation process well can include the following:

- Maintaining the morale of employees
- Managing the work force to meet the organisation's needs
- Receiving feedback through an effective exit interview process.
- Gaining relevant information regarding the strengths and weaknesses of the person to assist in refilling the position or in redeployment
- Provision of support if required

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## **8.9 RESIGNATION**

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Awards and Employment Agreement provide standard procedures for an employee to notify his/her employer of intention to resign. In such cases, the employee is expected to give the Manager/ Supervisor advance notice of his/her termination date. The amount of notice may differ for varying categories of staff and the staff member should check the Award or Employment Agreement before giving notice.

Advance notice will allow the club time to adjust working schedules and secure a replacement. Staff members who leave in good standing may be given consideration if they wish to return to work at a future date.

Resignation is inevitable as individuals move on and only heightens the need for good leadership development, succession planning and individual promotion so that no resignation present the organisation with enormous difficulty in filling the position again.

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## **8.10 DISMISSAL**

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The most stressful and dissatisfied method of separation is that of dismissal or discharge. It is the termination of the employment by an

employer because of variety of reasons but is often perceived as being the employee's fault, and is therefore considered disgraceful and a sign of failure. Dismissal of key person, typically at the senior management level is the most difficult to handle. The key person often has support from within or outside. Dismissed employees likely to go through the following stages:

## **Disciplines & Grievances Cell Rocedure**

1. Shock and disbelief
2. Rage and anger
3. Defensive reaction as displacement, repression
4. Despair and depression
5. Reflective grief
6. Positive behaviour.

There may be lot of reasons why an employee is being dismissed. It may be the employer seeking a lack of value in the employee, a series of incidents that when put into larger picture make the employer look negative or a single incident that is considered vary severe. Other reasons are:

- Problem of attendance,
- Poor work performance'
- Problematic conduct
- Off jobsite conduct tardiness
- No call no show
- Unauthorized breaks
- Incompetence & negligence
- Unprofessional mannerism
- Foul language
- Sleeping while on duty
- Harassment of other employee (sexual or racial)
- Violation of employers policies
- Illegal usage of office property or material

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## **8.11 RETRENCHMENT**

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Retrenchment means to cut down the size of employees or rightsizing of employees to reduce the cost of company. The employer makes a position redundant when its duties are no longer needed to be done by anyone. Once the position is redundant, the person doing it duties

may either be redeployed by giving another job or are retrenched i.e. lose their job and not offered another. When retrenching or making a position redundant, an employer is responsible for following the Fair Work Act 2009, conditions under the National Employment Standard (NES) and any other employee awards or contracts.

Retrenchment is a very common and logical pathway to improve profitability during poor economic conditions like recession time. But before going for retrenchment a company should think about mid-term or short-term measures also. Like salary reduction and cut down the facilities provided to employees etc.

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## **8.12 VOLUNTARY RETIREMENT**

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In all organisations whether public, private or government, there is a retirement age. On completion of a specified number of years of service, an employee retires from the job. But voluntary retirement is a decision made by the employee to leave the job. Such decisions are taken due to the following reasons.

- Personal dissatisfaction with the job, employer or working conditions.
- Personal reasons not related to job that make holding or performing the job impossible or more difficult like family obligations, education, health or moving to a new location.
- Taking up a new job for want of better conditions, better hours, shorter work place distance or better compensations or career progression.
- Fearing or anticipating involuntary termination, employees want to take matters into their own hands in order to leave honorably. This also happens with mutual consent sometimes.

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## **8.13 SUMMARY**

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Discipline may be defined as an attitude of mind which aims at inculcating restraint, orderly behaviour and respect for and willing obedience to a recognized authority. The term 'indiscipline' generally means the violation of formal or informal rules and regulations in an organisation. The important causes for indiscipline are: Ineffective leadership to control, coordinate and motivate workers, Low wages and poor working conditions, Lack of timely redressal or workers' grievances, Lack of defective grievance procedure, Character of the workers such as gambling, drinking, violent nature etc. A grievance is a sign of the employees' discontent with the job and its nature. It is caused due to the difference between employee expectations and management practice. Beach defines a grievance as, 'any dissatisfaction or feeling of injustice in connection with one's employment situation that is brought to the notice

of the management. Absenteeism is caused due to sickness, accidents, poor control, gender biased, lack of interest and miscellaneous causes. Labour turnover arises, because of accession in the organization and separation from the organization. Accession means addition of employees due to their appointment in the organization. Separation means separation of employees from the organization. It includes (a) retirement or death; (b) quit i.e. when an employee resigns on his own; (c) layoff, i.e. when an employer removes an employee declaring him to be surplus and (d) discharge, i.e. termination of an employee because of misconduct or poor performance. Voluntary retirement is a decision made by the employee to leave the job. Retrenchment means to cut down the size of employees or rightsizing of employees to reduce the cost of company. The most stressful and dissatisfied method of separation is that of dismissal or discharge. It is the termination of the employment by an employer because of variety of reasons but is often perceived as being the employee's fault, and it is therefore considered disgraceful and a sign of failure.

**Disciplines &  
Grievances Cell  
Rocedure**

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## **8.14 FURTHER READINGS**

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## UNIT 9

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### TRADE UNIONISM

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#### Objectives:

After studying this lesson, you will be able to:

- explain the meaning & importance of trade unions;
- identify the evolution of trade unions in the world;
- describe the various objectives, problems and functions of trade unions;
- understand the meaning of collective bargaining.

#### Structure:

- 9.1 Introduction
- 9.2 Trade unionism
- 9.3 Trade union movement in India: After independence and in the era of liberalisation
- 9.4 Objectives of trade unions
- 9.5 Functions of trade unions
- 9.6 Problems of trade unions and labours
- 9.7 Role of trade unions in collective bargaining
- 9.8 Summary
- 9.9 Further Readings

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### 9.1 INTRODUCTION

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Trade union movement is an offshoot of industrialization. The growth of modern industrial organizations involving use of modern technology and employment of workers has been followed by growth of trade unions throughout the world. This phenomenon has not been observed in advanced countries of the world, but also in the developing economies.

A strong trade union can improve the efficiency of workers and promote industrial peace. The labour unrest which may be inarticulate involving extensive absenteeism, frequent job changes, wandering from one plant or locality to another, can be avoided.

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## 9.2 TRADE UNIONISM

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Trade unionism is a worldwide movement and the highly strategic position occupied by trade unions in modern industrial society has been widely recognized. In most cases, employees' associations or trade unions seem to have emerged as 'protest movements' reaching against the working relationships and condition created by industrialization. When industrialization begins, organization members have to be generally recruited from the ranks of former agricultural labour and artisans who have to adapt themselves to the changed conditions of industrial employment. They have to be provided with new types of economic security – wages/salaries, benefits and services etc. often they may have to learn to live together in newly developing industrial townships and cities and also to adopt themselves to new working conditions and new pattern of work-rules imposing discipline and setting pace of work to which they are unfamiliar. Their old habits and traditions do not suffice to guide them in their daily work-behaviour and in consequence they may be disorganized and frustrated. Thus the growth of modern industrial organizations involving the employment of a large number of workers/employees in new type of working conditions and environment makes them helpless in bargaining individually for their terms of employment. As observed by Frank Tannenbaum, "The emergence of trade unionism lies in the Industrial Revolution which disrupted the older way of life and created a new society forged by the shop, the factory, the mine and the industry.

### **Meaning of Trade Union, Organized Labour and Labour Movement**

The term 'Trade Union' has been defined in various ways because of wide differences in the use of this term in different countries. A trade union is "a continuous association of wage-earners for the purpose of maintaining or improving the condition of their working lives". Since this definition does not cover all the extensions of trade union activities in modern times, a trade union with some modification may be redefined as "a continuous association of wage-earners or salaried employees for maintaining the conditions of their working lives and ensuring them a better and healthier status in industry as well as in the society".

The term 'Organized Labour' is used to distinguish workers/employees who are members of trade unions or employee association from those who are unorganized, i.e. who are not members of any union.

The term 'Labour Movement' is generally applied to all the various types of long-term association of workers/employees that the formed in industrialized or industrializing economies. According to Encyclopedia of Social Sciences, labour movement is conceived as "all of the organized activity of wage-earners to better their own condition s either immediately or in the more or less distant future". According to



G.D.H. code, “Labour movement implies, in some degree, a community of outlook. Thus the labour movement in a country emerges from a common need to serve a common interest. A trade union is thus an essential basis of labour movement. The labour movement without trade unions cannot exist. Trade unions are the principal institutions in which the employees learn the lesson of self-reliance and solidarity.” **Trade Unionism**

## **Difference between Labour Movement and Trade Union Movement**

There is lot of confusion on the use of the terms ‘labour movement’s and ‘trade union movement’. Often the two are used interchangeably. However, there is a slight distinction between the two. The labour movement’ is ‘for the worker’ whereas the ‘trade union movement’ is ‘by the workers’. This distinction needs to be noticed all the more because till the workers organized themselves into trade unions, efforts were made mainly by the social reformers to improve the working and living conditions of labour. These efforts should be taken as forming a part of the labour movement and not that of the trade union movement. The labour movement thus conveys a higher degree of consciousness amongst workers than conveyed by mere trade union movement.

### **Origins and background of the trade union movement**

#### *Early forms of labour organizations*

Union oriented, mainly in Great Britain the U.S.A. in the late 18<sup>th</sup> and early 19<sup>th</sup> centuries, as, associations of workers using the same skill. There is no connection between trade unions and medieval craft guilds, for the latter were composed of master craftsmen who owned capital and often employer several workers. The early unions were formed a partly as social clubs but soon became increasingly concerned with improving wages and working conditions, primarily by the device of collective bargaining. Progressing from trade to trade within the same city or area, the clubs formed local associations which, because they carried on their main activities on a purely local level, were almost self-sufficient. With industrial development, however, local associations sooner or later followed the expansion of production beyond the local market and developed into national unions of the same trade. These in turn formed national union federations.

#### *Factors favouring unionism*

The unions of the early 19<sup>th</sup> century were almost exclusively based upon a particular craft. But as mass production industries – which required large numbers of rapidly trained, semiskilled workers – developed, a trend toward large-scale union organization grew, and toward the end of the 19<sup>th</sup> century Great Britain was including unskilled workers. Industrial unions attempted to organize all works employed in producing a given product or service, sometimes including even the general office or white-collar workers. General unions included skilled workers and labourers of all grades from different industries, even though they usually started from a

base in one particular industry. But changing technologies, union mergers, and ideological factors led to the development of various kinds of unions that would not fit easily into any of the above categories.

### **International Trade Union Organization**

The large trade union movements of various countries for many years have maintained loose alliances by joining international organizations of labour; federations of unions, rather than individual unions, usually hold membership. In 1901, the International Federation of Trade Unions was established, chiefly under the guidance of German unions. It proved to be ineffective and disappeared during World War I. In 1919 it was revived at Amsterdam, but immediately came into collision with the Red International of Labour Unions, established by the new government of the Soviet Union.

### **World federation of Trade Unions (WFTU)**

The WFTU was founded in 1945 on a worldwide basis, representing trade union organizations in more than 50 Communist and Non-Communist countries. From the outset, the American Federation of Labour declined to participate. In January 1949, with the WFTU under Communist control, British, USA and Netherlands trade union organizations withdrew and went on to found the ICFTU; by June 1951 all Non-Communist trade unions and the Yugoslav Federation had withdrawn.

By the 1990s, after the collapse of the European Communist regimes, membership became uncertain; unions broke their links with the Communist parties and most were later accepted into the ICFTU. Most of the national trade union centers in Africa and Latin America moved to the ICFTU after 1989, and the French Confederation Generale du Travail has proposed withdrawal to its members. In a move towards decentralization, regional offices have been set up in New Delhi (India), Havana (Cuba), Dakar (Senegal), Damascus (Syria) and Moscow (Russia).

### **World Confederation of Labour (WCL)**

Founded in 1920 as the International Federation of Christian Trade Unions, it went out of existence in 1940 as a large proportion of its 3.4 million members were in Italy and Germany, where affiliated unions were suppressed by the Fascist and Nazi regimes. Reconstituted in 1945 and declining to merge with the WFTU or ICFTU, its policy was based on the papal encyclicals *Return novarum* (1891) and *Quadragesimo anno* (1931), and in 1968 it became the WCL and dropped its openly confessional approach. Today, it has Protestant, Buddhist and Moslem member confederations, as well as a mainly Roman Catholic membership. In its concern to defend trade union freedoms and assist trade union development, the WCL differs little in policy from the ICFTU above. A membership of 11 million in about 90 countries is claimed. The biggest group is the Confederation of Christian Trade Unions (CSC) of Belgium (1.2 million). The WCL is organized on a federative basis which leaves

wide discretion to its autonomous constituent unions. Its governing body is the Congress, which meets every 4 years. The Congress appoints (or re-appoints) the Secretary-General at each 4-yearly meeting. The General Council which meets at least once a year, is composed of the members of the Confederal Board (at least 22 members, elected by the Congress) and representatives of national confederations, international trade federations, and trade union organizations where there is not confederation affiliated to the WCL.

### **International Confederation of Free Trade Unions (ICFTU)**

The founding congress of the ICFTU was held in London in December 1949 following the withdrawal of some Western trade unions from the World Federation of Trade Unions (WFTU), which had come under Communist Control. The constitution, as amended, provides for cooperation with the UN and the ILO, and for regional organization to promote free trade unionism, especially in developing countries. The ICFTU represents some 124m. Workers across 196 affiliated organizations in 136 countries. The Congress meets every 4 years. It elects the executive Board of 50 members nominated on an area basis for a 4-years period; 5 seats are reserved for women nominated by the Women's Committee; and the Board meets at least once a year, Various Committees cover economic and social policy, violation of trade union and other human rights, trade union cooperation projects and also the administration of the International Solidarity Fund. There are joint ICFTU-International Trade Secretariat Committees for coordinating activities. The ICFTU has its headquarters at Belgium; branch offices in Geneva and New York, and regional organizations in America (Caracas), Asia (Singapore) and Africa (Nairobi)

### **International Labour Organization (ILO):**

The International Labour Organization (ILO) was set up in 1919 by the Versailles Peace Conference as an autonomous body associated with the League of Nations. The ILO was the only international organization that survived the Second World War even after the dissolution of its parent body. It became the first specialized agency of the United Nations in 1946 in accordance with an agreement entered into between the two organizations. India has been a member of the ILO since its inception. A unique feature of the ILO, as distinct from other international institutions, is its tripartite character.

The aims and objectives of ILO are set out in the preamble to its Constitution and in the declaration of Philadelphia (1944) which was formally annexed to the Constitution in 1946. The preamble affirms that universal and lasting peace can be established only if its is based upon social justice, draws attention to the existence of conditions of labour involving injustice, hardship and privation of a large number of people, and declares that improvement of these conditions is urgently required through such means as the regulation of hours of work, prevention of

unemployment, provision of an adequate living wage, protection of workers against sickness, disease, and injury arising out of employment, protection of children, young persons and women, protection of the interests of migrant workers, recognition of the principle of freedom of association, and organization of vocational and technical education. The Preamble also states that the failure of any nation to adopt human conditions of labour is an obstacle in the way of other nations desiring to improve labour conditions in their own countries.

The three main functions of the ILO are;

- To establish international labour standards;
- To collect and disseminate information on labour and industrial conditions; and
- To provide technical assistance for carrying out programmes of social and economic development.

From the very beginning, the ILO has been confronted with the tremendous task of promoting social justice by improving the work and conditions of life in all parts of the world.

The ILO consists of three principal organs, namely, the International Labour Conference, the Governing Body and the International Labour Office. The work of the Conference and the Governing Body is supplemented by that of Regional Conferences, Regional Advisory Committees, Industrial Committees, etc. The meeting of the General Conference, held normally every year, are attended by four delegates from each member State, of whom two are government delegates and one each representing respectively the employers and the work people of the State. The International Labour Conference is the supreme organ of the ILO and acts as the legislative wing of the Organization. The General Conference elect the Governing Body, adopt the Organization's biennial programme and budget, adopt international labour standards in the form of Conventions and Recommendations and provide a forum for discussion of social and labour issues. The Governing Body is the executive wing of the Organization. It appoints the Director-General, draws up the agenda of each session of the Conference and examines the implementation by member countries of its Conventions and Recommendations. The international Labour Office, whose headquarters are located at Geneva, provides the secretariat for all conferences and other meetings and is responsible for the day-to-day implementation of the administrative and other decisions of the Conference, the Governing Body, etc. The Director General is the chief executive of the International Labour Office. An important aspect of its work relates to the provision of assistance to member States. It also serves as a clearing house of information on all labour matters.

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### 9.3 THE TRADE UNION MOVEMENT IN INDIA : AFTER INDEPENDENCE AND IN THE ERA OF LIBRALISATION

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The trade union movement's origin in a sense can be traced back to very early date to the time when villages had panchayats and guilds for settling disputes between the masters and their members. The panchayats prescribed the code of conduct which was rigidly observed by its members. Its non-observance resulted in expulsion from the community. Trade unions, as understood today, however originated in the first quarter of the present century, although the groundwork was laid during the last quarter of the 19<sup>th</sup> century. In Mumbai, as early as in 1975, a movement was started by reformers under the leadership of Sorabji Shapurju. They protested against the appealing conditions of the factory workers and appealed for introduction of adequate legislation to prevent them. The credit of laying the foundation of the organized labour movement in India is at time accorded to Mr. N.M. Lokhande, a factory worker himself. An agitation was organized by him a 1984 in Mumbai. This resulted in certain amenities being extended to the mill workers which led to the organization of the Mumbai Milhands Association.

Actually a real organized labour movement in India started at eh end of the First World War. Rising prices, without a corresponding increase in wages, despite the employers making huge profits, led to a new awakening. Many trade unions were formed throughout India. There were a number of strikes during 1919 to 1922. To this was added influence of the Russian Revolution, the establishment of the ILO (International Labour Organization) and the All-India Trade Union Congress. The speeded up the pace of the trade union movement. Following the Second World War, there was a spiraling of prices. The workers once again became restive. This further indirectly strengthened the movement in India.

The labour world in India is dominated mainly by four central organization of labour. These unions are, in fact, federations of affiliated union/units which function of regional, local and craft bases. These are:

1. *All-India Trade Union Congress (AITUC)*: An important event in the history of trade union movement in India was the organization of the All-India Trade Union Congress in 1920. Mr. Nehru took a prominent part in the organization of this Congress. It followed the pattern of the trade union in the United Kingdom. The effort toward unified action in the matter of labour was, however, short-lived and son it came under the domination of the Communists and Radicals. This lienated any prominent people who did not subscribe to the views and ideology of the communists. At present, it is the second largest union of workers and is still controlled by Communists and fellow-travellers.

2. *Indian National Trade Union Congress (INTUC)*: In May, the Indian National Trade Union Congress was organized by the Congress party on its labour front. This was formed with the help of the Hindustan Mazdoor Sewak Sangh which consisted of those who believed in Gandhian methods and had left the AITUC in 1937 under of leadership of Mr. M.N. Roy. The INTUC received the blessings of the top congress leaders at the Centre like Mr. Nehru and Sardar Patel. The prominent leaders of ATLA and HMSS were elected office-bearers of INTUC. One of the important points of the constitution of Indian National Trade Union Congress is that every affiliated union has to agree to submit to arbitration every individual dispute in which settlement is not reached thorough negotiations. There must be no strikes till other means of settlement are exhausted. In 1948, the Government of India declared that INTUC, and not AITUC, was the most representative organization of labour in the country entitled to represent Indian labour in I.L.O.
3. *Hind Mazdoor Sangha (HMS)*: The socialists in the Congress disapproved not only the Communist run AITUC but also the Congress-sponsored INTUC, particularly because it advocated compulsory arbitration as a method of resolving industrial disputes. For sometime the activities of socialist leaders were coordinated by the Hind Mazdoor Panchayat. Subsequently when they left the Congress, they met in Kolkatta in December, 1948 and a new federation by the Hind Mazdoor domination by employers, Government and political parties.
4. *United Trade Union Congress (UTUC)*: The dissidents from the socialist Leaders' Congerence held at Kolkatta in December, 1948 proceeded to establish yet another federation of trade unions in April-May 1949 under the name of United Trade Union Congress. The UTUS is more radical than HMS but less revolutionary in its objectives and policies than AITUC.

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## 9.4 OBJECTIVES OF TRADE UNIONS

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- One of the main reasons of workers joining a trade union been their belief to get wages increased and maintained at a reasonable standard through collective action and their realization that individual bargaining was utterly useless for this purpose.
- Since the employee, as an individual, feels specially weak, he prefers to join an organization that my afford him an opportunity to join others for the achievement of those objectives that he considers as socially desirable.
- The employees may join the unions to ensure a just and fair dealing by management.

- Through collective strength, they restrain the management from taking any such action which may be irrational, illogical, discriminatory or contrary to their general interests.
- Another reason of employees joining some union may be the broader realization on their part that unions fulfill the important need for adequate machinery for proper maintenance of labour-management relations.
- Employees may join the unions because of their belief that it is an effective way to secure adequate protection from various types of hazards and income insecurity such as accident injury, illness, unemployment etc.
- The employees may join the unions because of their feeling that this would enable them to communicate their views, ideas, feelings and frustrations to the management effectively.
- Individuals may join the unions in the hope of finding a job through their influence in the company management.

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## **9.5 FUNCTIONS OF TRADE UNIONS**

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- Functions relating to members
- Functions relating to organization
- Functions relating to the union; and
- Functions relating to the society.

### **Function relating to trade union members**

1. To safeguard workers against all sorts of exploitation by the employers, by union leaders and by political parties.
2. To protect workers from the atrocities and unfair practices of the management.
3. To ensure healthy, safe and conducive working conditions, and adequate conditions of work.
4. To exert pressure for enhancement of rewards associated with the work only after making a realistic assessment of its practical implications.
5. To ensure a desirable standard to living by providing various types of social service-health, housing, educational, recreational, cooperative, etc. and by widening and consolidating the social security measures.
6. To guarantee a fair and square deal and social security measures.
7. To remove the dissatisfaction and redress the grievances and complaints of workers.

8. To encourage worker's participation in the management of industrial organization and trade union, and to foster labour-management cooperation.
9. To make the workers conscious of their rights and duties.
10. To impress upon works the need to exercise restraint in the use of rights and to enforce them after realistically ascertaining their practical implications.
11. To stress the significance of settling disputes through negotiation, joint consultation and voluntary arbitration.
12. To raise the status of trade union members in the industrial organization and in the society at large.

#### **Functions relating to industrial organization**

1. To highlight industrial organization as a joint enterprise between workers and management and to promote identity of interests.
2. To increase production quantitatively and qualitatively, by laying down the norms of production and ensuring their adequate observance.
3. To help in the maintenance of discipline.
4. To create opportunities for worker's participation in management and to strengthen labour-management cooperation.
5. To help in the removal of dissatisfaction and redressal of grievances and complaints.
6. To promote cordial and amicable relations between the workers and management by settling disputes through negotiation, joint consultation and voluntary arbitration, and by avoiding litigation.
7. To create favourable opinion of the management towards trade unions and improve their status in industrial organization.
8. To exert pressure on the employer to enforce legislative provision beneficial to the workers, to share the profits equitably, and to keep away from various types of unfair labour practices.
9. To facilitate communication with the management.
10. To impress upon the management the need to adopt reformatory and not punitive, approach towards workers' faults.

#### **Functions relating to trade unions organization**

1. To formulate policies and plans consistent with those of the industrial organization and society at large.
2. To improve financial position by fixing higher subscription, by realizing the union dues and by organizing special fund-raising campaigns.



## **Trade Unionism**

3. To preserve and strengthen trade union democracy.
4. The train members to assume leadership position.
5. To improve the network of communication between trade union and its members.
6. To curb inter-union rivalry and thereby help in the creating of unified trade union movement.
7. To resolve the problem of factionalism and promote unity and solidarity within the union.
8. To eradicate casteism, regionalism and linguism within the trade union movement.
9. To keep away from unfair labour practices.
10. To save the union organization from the exploitation by vested interests-personal and political.
11. To continuously review the relevance of union objectives in the context of social change, and to change them accordingly.
12. To prepare and maintain the necessary records.
13. To manage the trade union organization on scientific lines.
14. To publicise the trade union objectives and functions, to know people's reaction towards them, and to make necessary modifications.

### **Functions relating to society**

1. To render all sorts of constructive cooperation in the formulation and implementation of plans and policies relating to national development.
2. To actively participate in the development of programmes of national development e.g., family planning, afforestation, national integration, etc.
3. To launch special campaigns against the social evils of corporation, nepotism, communalism, casteism, regionalism, linguism, price rise, hoarding, black marketing, smuggling, sex, inequality, dowry, untouchability, illiteracy, dirt and disease.
4. To create public opinion favourable to government's policies and plans, and to mobilize people's participation for their effective implementation.
5. To create public opinion favourable to trade unions and thereby to raise their status.

6. To exert pressure, after realistically ascertaining its practical implications, on the government to enact legislation conducive to the development of trade unions and their members.

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## 9.6 PROBLEMS OF TRADE UNIONS

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The following are some of the most important problems of the trade unions in India:

1. Multiplicity of trade Unions and Inter-union Rivalry
2. Small Size of Unions
3. Financial weakness
4. Leadership Issues
5. Politicalisation of the Unions
6. Problems of Recognition of Trade Unions

### **Multiplicity of trade unions**

Multiple rival unionism is one of the great weaknesses of the Indian trade union movement. "Multiple unions are mainly the result of political outsiders wanting to establish unions of their own, with a view to increasing their political influence". The existence of different conflicting or rival organizations, with divergent political views, is greatly responsible for inadequate and unhealthy growth of the movement. Within a single organization one comes across a number of groups comprising or 'insiders and outsiders', 'new-comers', and 'old-timers' moderates' and radicals', and 'high' and low caste' people. This develops small unions. Inter-union and intra-union rivalry undermines the strength and solidarity of the workers in many ways.

Multiplicity of unions lead to inter-union rivalries, which ultimately cuts at the very root of unionism, weakens the power of collective bargaining, and reduces the effectiveness of workers in securing their legitimate rights. Therefore, there should be "One union in one Industry".

### ***Inter-union rivalry***

Another vexing problem is that of intra-union rivalry. Trade rivalry is acute and pervades the entire industrial scene in India. Practically every important industry, there exists parallel and competing unions, e.g. on the Indian Railways, there are two parallel Federations-the Indian Railway Men's Federation and Indian National Federation of Railway-men.

### **Small Size of unions**

The small size of unions is due to various factors, namely:

- The fact that by seven workers may form a union under the Trade Union Act of 1926, and get it registered and a large number of small unions have grown.
- The structure of the trade union organization in the country-which is in most cases the factory or the unit of employment; so whenever employees in a particular factory or mine are organized, a new union is formed.
- Unionism in India started with the big employers and gradually spread to smaller employers. This process is still continuing and has pulled down the average membership. Though the number of unions and union membership are increasing average membership is declining.

The small size of unions creates problems such as:

- Lack of funds to help its members.
- Lack of ability among the leaders and members.
- Low bargaining power.
- Rivalry between the unions
- Lack of unity among workers.

### **Financial weakness**

The financial weakness of the union may be attributed to the small size of union and poor ability of its members to contribute. The other reasons are low subscriptions and irregular payments of subscriptions by the members.

### **Leadership issues**

Another disquieting feature of the trade unions is the 'outside' leadership, i.e. leadership of trade unions by persons who are professional politicians and lawyers and who have no history of physical work in the industry. There are several reasons for this phenomenon, namely.

- The rank and the file are largely illiterate as such they cannot effectively communicate with the management;
- The union's lack of formal power tends to put a premium on the dharismatic type of the leader, usually a politician, who can play the role of the defender of the workers against the management;
- For ensuring a measure of 'equation of power' in collective bargaining where the workers are generally uneducated and have a low status.
- For avoiding victimisation of worker-office-bearers of the trade unions; and

- For lack of financial resources to appoint whole time office-bearers.

These political leaders are inevitably concerned with “maximizing their individual standing as political leaders rather than with, maximizing the welfare of their members”. Further, in bigger unions, direct contact with the rank and file membership and the top leaders is missing because of their hold on a number of trade unions in varied fields; they fail to pay adequate attention to any one union. Again, often these union leaders are not adequately aware of the actual needs and pressing problems of the members. They therefore cannot put forth the case of the union effectively.

### **Politicalisation of the unions**

One of the biggest problems of the country’s trade union movement faces is the influence of the political parties. i.e., the most distressing feature is its political character. Harold Crouch has observed, “Even to the most casual observer of the Indian trade union scene, it must be clear that much of the behaviour of Indian unions, whether it be militant or passive behaviour can be explained in political terms.

It should be noted that decisions in the trade union fields are taken by the respective political parties to which the unions are attached and, therefore, with the changing political situation, the decisions also change. With the split in the political ideology, there develops factional split in the same trade union professing the same political ideology. The divisions and sub-divisions, thus made, have affected adversely the trade union movement. It has become fragmented and disjointed. Each section pulls itself in different directions; with the result that “instead of becoming a unity and mighty torrential river, the movement is sub-divided into numerous rivulets”.

### **Problems of recognition of trade unions**

This is one of the basic issues in our industrial relation system because employers are under no obligation to give recognition to any union. In the initial stages, the attitudes of the employers towards the trade unions have been very hostile. The employers many a times have refused recognition to trade unions either on the basis that unions consist of only a minority or employees; or that two or more unions existed.

### **PROBLEMS OF LABOURS:**

Problems of the labour class can be summarized as below:

1. Poverty is the biggest problem of the labour class:
2. Un-education is a great concern for labor class. They quit their schools in the beginning of their childhood and then they never try to be educated again.

3. Due to poverty and uneducation, labour class faces a problem of population growth also. **Trade Unionism**
4. Unskilled labour is very much available. There is no programmes for their up gradation or learning new techniques.
5. Safety in the plant is major concern as many times the machinery is not properly maintained and old machines are not replaced which result in the accidents.
6. Labour class is suffering of various diseases due to unhygienic living conditions of their houses. They are also suffering due to malnutrition.
7. They are asked to do Overtime work.
8. Minimum wages are not being paid to labours. Even their compensation is also not given at proper time.
9. There is no fix work load. Uneven work load is also a matter of concern.
10. They are not supported by law also as it takes time and it cost much to them.

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## **9.7 ROLE OF TRADE UNIONS IN COLLECTIVE BARGAINING**

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In the work situation, an individual worker has to face many problems such as, low wages, long hours of work, loss incentive etc. These problems of an individual or few individuals cannot attract the attention of the employer because of their less bargaining power. The growth of trade union increased the bargaining strength of workers and enables them to bargain for their better conditions collectively.

Collective bargaining is a source of solving the problems of employees in the work situation collectively. It provides a good climate for discussing the problems of workers with their employers. The employees put their demands before the employers and the employers also give certain concession to them. Thus it ensures that the management cannot take unilateral decision concerning the work ignoring the workers. It also helps the workers to achieve responsible wages, working conditions, working hours, fringe benefits etc. It provides them a collective strength to bargain with employer. It also provides the employers some control over the employees.

The term collective bargaining is made up of two words, 'collective' – which means a 'group action' through representation and 'bargaining', means 'negotiating', which involves proposals and counter-proposals, offers and counter-offers. Thus it means collective negotiations between the employer and the employee, relating to their work situations. According to the Encyclopedia of social sciences parties, one or both of

whom is a group of persons acting in concert. The resulting bargain is an understanding as to the terms and conditions which a continuing service is to be performed. More specifically, collective bargaining is a procedure, by which employer and a group of employees agree upon the conditions of work”.

The I.L.O. workers manual defines collective bargaining as, “negotiation about working conditions and terms of employment between an employer, a group of employers or one or more employer’s organizations, on the one hand, and one or more representative workers organization on the other with a view of reaching an agreement. We can summarize the important features of collective bargaining as follows:

- It is a collective process in which representatives of employers and employees participate mutually.
- It is a flexible and dynamic process wherein no party adopt a rigid attitude.
- It is a bipartite process whereas the representatives of workers and management get an opportunity for clear and face to face negotiation.
- It is a continuous process which can establish regular and stable relationship between worker’s organization and management.
- It is a practical way to establish an industrial democracy.
- It is a good method of promoting industrial jurisprudence.
- It is good form of interdisciplinary system (i.e. a function embodying economic psychological, administrative, ethical and other aspects.)
- It is a process that includes efforts from preliminary preparations to the presentation of conflicting view points, collection of necessary facts, understanding of view points, taking correct decisions etc.

### **Role of trade unions in collective bargaining:**

Now days trade unions have evolved as a powerful body seeking the welfare of the employees. Therefore it interrupts in all the policies meant for the labour and also suggest in implementing labour laws. Whatever labour laws may lay down, it is the approach of employers and trade unions which matters and unless both are enlightened, industrial harmony is not possible. Therefore, the solution to common problems can be found directly through negotiation between both parties and in this context the role of trade unions in collective bargaining is very great.

- By collective bargaining trade unions develop a sense of self-responsibility and self-respect among the employees concerned and thus significantly pave the way for improved employee morale and productivity.

- By collective bargaining trade unions restrict management's freedom for arbitrary action and thereby management learns a new code of behaviour by conceiving of the union as a method of dealing with employees. The management also comes to know the grievances of workers in advance and it gives an opportunity to take precautionary measure. Moreover, collective bargaining opens up the channel of communication between top and bottom levels of an organization.
- By collective bargaining if properly conducted, result in the establishment of a harmonious industrial climate therefore trade unions helps society for the socio-economic development of the nation. It builds up a system of industrial jurisprudence by introducing civil rights in industry and ensures that management is conduct by rules rather than by a arbitrary decisions. It extends the democratic principles from the political to industrial field.
- Trade unions use collective bargaining as a tool for their

### 1. Social change

Collective bargaining enhances the status of the working class in the society. Wage earners have enhanced their social and economic position in relation to other groups. Employers have also retained high power and dignity through collective bargaining.

### 2. Peace treaty

Collective bargaining serves as a peace treat between the employers and employees. However the settlement between the two parties is a compromise.

### 3. Industrial jurisprudence

Collective bargaining creates a system of "Industrial Jurisprudence". It is a method of introducing civil rights into industry. It establishes rules which define and restrict the traditional authority exercised by employers over their employees placing part of the authority under joint control of union and management.

In addition to the above, the role of trade unions in collective bargaining includes:

1. Increasing the economic strength to employers and employees.
2. Improving working conditions and fair wages.
3. Maintaining peace in industry
4. Prompt and fair redressel of grievances.
5. Promoting stability and prosperity of the industry.

Therefore we see that collective bargaining is very important from the workers point of view, and the trade unions play their important role in

making consensus among employers and the employees for labour problems. But they should follow some principles or keep some precautions while playing their role in collective bargaining.

1. Unions should avoid undemocratic practices.
2. Unions have to recognize their duties to the management also before emphasizing their demands.
3. Unions have to consider the benefits to all workers rather than a section of workers.
4. Strike lock-outs should be resorted to, only as a last measure. As far as possible they have to be avoided by compromise and discussion.

Thus collective bargaining is an important method of solving problems, thorough mutual understanding. If used properly it can solve the problems of both the parties-management and union through mutual confidence.

Collective bargaining is also used as a tool for bringing coordination between workers and management. It also serves as tool of communication to views by both management and works. In the long-run it will serve as an instrument for labour participation in management and pave way for he cordial industrial relations in India.

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## **9.8 SUMMARY**

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Trade unionism is a worldwide movement and the highly strategic position occupied by trade unions in modern industrial society has been widely recognized. In most cases, employees' associations or trade unions seem to have emerged as 'protest movements' reaching against the working relationships and condition created by industrialization. When industrialization begins, organization members have to be generally recruited from the ranks of former agricultural labour and artisans who have to adapt themselves to the changed conditions of industrial employment.

A strong trade union can improve the efficiency of workers and promote industrial peace. The labour unrest which may be inarticulate involving extensive absenteeism, frequent job changes, wandering from one plant or locality to another, can be avoided.

Collective bargaining is an important method of solving problems, thorough mutual understanding. If used properly it can solve the problems of both the parties-management and union through mutual confidence.

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## **9.9 FURTHER READINGS**

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2. Arun Monappa, Industrial Relations, Tata Mc Graw Hill.



3. Michael V P, HRM and Human Relations, Himalaya.
4. Mamoria and Mamoria, Dynamics of Industrial Relations in India, Himalaya.
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## UNIT 10

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### LABOUR VERIFICATION

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#### Objectives:

After studying this lesson, you will be able to:

- Describe the various provisions of various labour laws and their utility for the industrial relations;
- Explain the provisions of the factories act regarding health, safety and welfare of employees;
- Appreciate the law governing payment of wages to employees;
- Identify the features and rulings of Employee's Compensation Act;

#### Structure:

**10.1** Workmen's Compensation Act, 1923

**10.2** The factories Act, 1948

**10.3** The Provisions of Employees' State Insurance Act'1948 **20.4**

The Employees' Provident Fund & Misc. Provisions Act, 1952 **20.5**

Industrial Dispute Act, 1947

**10.6** The Payment of Wages Act, 1936

**10.7** Trade Union Act 1926

**10.8** Payment of Gratuity Act,1972

**10.9** Further Readings

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### **10.1 THE WORKMEN'S COMPENSATION ACT, 1923**

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The workmen's Compensation Act came into force on the first day of July

1924 for providing social security to workmen. By an amendment to the Act in 2009, the name of the Act was changed to '**The Employees Compensation Act.**' The main object of the Act is to provide for payment of compensation by an employer to his workmen in case of an accident as a measure of relief and social security. Compensation is to be given not only for personal injuries sustained by accidents arising out of and in the course of employment but also for certain occupational diseases. The compensation payable is not dependent on any negligence on the part of

the employer but is the nature of insurance against risks of accident. So long as any rash not or negligent act of the workmen is within the scope of his duty as an employee, it will not be a bar to any claim for compensation under the Act.

The need for the Act was felt due to the growing complexity of industry in India, with the increasing use of machinery and consequent danger to workmen along with the comparative poverty of the workman themselves making it necessary that they should be protected from hardship arising from accidents.

The main objects of the Act are:

- a) To give compensation to workmen.
- b) To provide special machinery to deal with cases of compensation in the event of an accident.
- c) To provide immediate compensation to workmen who cannot be offered to go to the court of law.
- d) To improve relations among employers and employees.
- e) To relieve the parties of unnecessary litigation.

### **BROAD FEATURES OF THE ACT**

The important features of the Act are as under:

1. The Act provides social security to the workmen. The compensation to be paid to the workers is not for the negligence on the part of the employer, but it is rather in the nature of insurance of the workers against certain risks of accidents.
2. The definition of workmen given in Sec.2(1) (n) does not cover persons employed in administrative or clerical capacity drawing more than Rs. 10,000 p.m. (except railway servants), but persons employed through sub-contractors by a person fulfilling a contract with the railway are also entitled to benefit under this Act.
3. The compensation under the Act is payable if the injury has been caused by accident arising out of or in the course of employment. The workman loses the right of compensation if such accident can be attributed to workman, having been at the time of accident, under the influence of alcohol or drugs or if it is caused by his wilful disobedience or rules orders or disregard of safety measures.
4. The term 'wages' as defined in the Act includes overtime pay and the value of concessions or benefits in the form of food, clothing, accommodation, etc.
5. The amount of compensation payable to a workman or his dependents depends on the nature and extent of disablement (or

death) and his average monthly wages. The rate of compensation have been given in Schedule IV of the Act. **Labour Verification**

6. Minimum rates of compensation for permanent total disablement and death have been fixed at Rs. 1,40,000 and Rs. 1,20,000 respectively. Maximum amount for death and permanent total disablement can go up to Rs. 9.14 lakh and Rs. 10.97 lakh respectively depending on age and wages of the employees.
7. In order to protect the interest of dependents in case of fatal accidents, it is provided in the Act that :
  - i. All cases of fatal accidents are to be brought to the notice of Commissioner of Labour.
  - ii. In case of admission of liability by the employer, the amount of compensation is to be deposited with the Commissioner within 30 days.
  - iii. If the employer denies his liability, the Commissioner must decide whether or not there is a ground for claim. The Commissioner may inform the dependent and it open to them to prefer a claim, if they feel so.

### **Applicability of the Act**

The Employees' Compensation Act covers all employees employed on railways, factories mines, etc. The Act applies to all factories engaged in an industry specified in Schedule II of the Act. The Act also applies to seamen and shipmasters of power driven ships or of non-power driven ships of 50 or more tons. It applies generally to organized industries and hazardous occupations including building and loading or unloading operations.

The Act does not apply of persons :

- i. Employed in administrative or clerical capacity;
- ii. Employed in casual work;
- iii. Employed in the Armed Forces;
- iv. Claiming compensation under the Employees' State Insurance Act, 1948.

### **Definitions**

**Commissioner** [Sec. 2(b)] 'Commissioner ' means a commissioner for workmen's compensation appointed under Section 20.

**Dependent** [Sec. 2(d)] 'Dependent ' means any of the following relatives of a deceased workman, namely.

- i. A widow, a minor legitimate son, and unmarried legitimate daughter, or a widowed mother; and

- ii. If wholly dependent on the earnings of the workman at the time of his death, a son or a daughter who has attained the age of 18 years and who is infirm;
- iii. If wholly or in part dependent on the earning of the workman at the time of his death;
  - a) A widower,
  - b) A parent other than a widowed mother,
  - c) A minor illegitimate son, an unmarried illegitimate daughter or a daughter legitimate or illegitimate, if married and a minor or if widowed and a minor,
  - d) A minor brother or an unmarried sister or a widowed sister if a minor,
  - e) A widowed daughter-in-law,
  - f) A minor child of a pre-deceased son,
  - g) A minor child of pre-deceased daughter where no parent of the child is alive, or

**Employer** [Sec. 2(e)]. “Employer” includes any body of persons whether incorporated or not and any managing agent of an employer and the legal representative of a deceased employer, and when the service of a workmen are temporarily lent or let on hire to another person by the person with whom the workman has entered into a contract of service or apprenticeship, means such other person while the workmen is working for him :

To establish the relationship of employer and employee, a contract of service is generally necessary. Such contract may be expressed or implied. Further, there is a difference between contract of service and contract for service. It is former which creates the relationship of employer and employee.

### **Employees Entitled to Compensation**

Every employee (including those employed through a contractor but excluding casual employees) who is engaged for the purpose of employer’s of business and who suffers an injury compensation under the Act.

However to determine that whether particular person is a workman or not under the Act. two things must be determined :

- i. Whether his employment was of a casual nature.
- ii. Whether his employment was otherwise for the purpose of employer’s trade or business and does not come under the purview of section 2(i) of the Act. Nevertheless where compensation has been claimed by a person, the relation between employer and the

person who is claiming compensation has to be seen which can be determined on the basis of following principals: **Labour Verification**

- (i) Whether the person is having contract of service; or
- (ii) Whether the master can only order, or he can require of the person, what is to be done, or he can also order as to how it is to be done.
- (iii) Whether it is obligatory on the part of the person to obey his order.
- (iv) Whether a person is having any agreement to serve the employer only or employed for his trade or business.

The provisions of the Act have been extended to the cooks employed in hotels, restaurants using power liquefied petroleum gas or any other mechanical device, in the process of cooking.

**Is Contractor is a Workman ?** The broad distribution between a workman and an independent contractor lies in this that while the former agree himself to work, the latter agree to get other persons to work. A person who agree himself to work, and does so work and is therefore a workman does not ceases to be such by reason merely of the fact that he gets other persons also to work along with him and that those persons are controlled and paid by him. If a person agreed to work personally, then he is a workman and the fact that he takes assistance from other persons would not affect his status.

Thus, where a person entered into a consideration contract and agreed to work himself and also to employ his own labour, while construction material was to be supplied by the owner, and the contractor died while working himself, it was held that the dependent of the deceased were entitled to compensation.

## **DISABLEMENT**

Disablement means loss of capacity to work or to move. Disablement of a workman may result in loss of reduction of his earning capacity. He is not able to earn as much as he used to earn before his disablement.

Disablement may be (1) partial or (2) total. Further it may be (i) permanent, (ii) temporary.

**Partial Disablement.** This means any disablement as reduces the earning capacity of a workman as result of some accident. Partial disablement may be temporary of permanent.

**Temporary Partial Disablement** means any disablement as reduces the earning capacity of a workman in any employment in which he was engaged at the time of accident which resulted in such disablement.

**Permanent Partial Disablement** is one which reduces the earning capacity of a workman in every employment in which he was capable of undertaking at the time of injury.

The distinction between these two types of disablement depends on the fact as to whether an injury results in reduction of earning capacity in all the employments which the workman was capable of doing or only in that particular employment in which workman was engaged at the time of injury.

**Total Disablement.** It means such disablement, whether of a temporary or permanent nature, as incapacitates a workman for all work which he was capable of performing at the time of the accident resulting in such disablement.

Where an employee becomes unfit for a particular class of job is fit for another class which is offered to him by the employer, the workman is entitled to claim compensation only on the basis of partial disablement and not total disablement.

## **RULES REGARDING EMPLOYEES' COMPENSATION**

### **Employer's Liability for Compensation**

Section 3(1) lays down that if personal injury is caused to a workman by an accident arising out of and in the course of employment, his employer shall be liable to compensation. This section imposes four conditions to hold employer liable for payment of compensation to the injured workman. These four conditions are :

- i.** Personal injury is caused to a workman.
- ii.** Such personal injury is caused by an accident.
- iii.** The accident has arisen out of and in the course of employment.
- iv.** The accident has resulted either in death of the workman or his total or partial disablement for a period exceeding 3 days.

**What is an Accident ?** An accident may be defined as an unlooked for mishap or untoward event which is not expected or designed. The series of minor accidents each cumulatively producing fatal injury constitute together an accident. In *Grime vs. Fletcher* (1915), a person become insane as a result of accident and then committed suicide. It was held that earth was the result of the accident and compensation was awarded. But if the insanity is not the direct result of an accident, compensation will not be awarded.

**What is personal Injury ?** Personal injury is not confined to physical injury only . It includes physiological and psychological injury such as nervous shock, a mental injury, lunacy, or mental strain. In the *Indian News Chronicle Ltd.* Case a workman had to go into a meeting room and from there to a cooling plant. The changes of temperature caused pneumonia and the workman died. It was held that the death was



due to personal injury. An occupational disease is deemed to be an injury by an accident and the employer is liable to pay compensation. **Labour Verification**

### **Arising Out of Employment**

It has already been observed that the employer is liable to pay compensation only if personal injury is caused to a workman by an accident arising out of and in the course of employment. The phrase 'arising out of suggests the cause of accident and phrase' in the course of employment suggests the time as well as the course of employment. It has been held in many cases that there must be some causal relationship between the accident and the employment. That means a workman who is injured in the course of his employment. Would be entitled to compensation only if the accident arose out of his employment. Under the following circumstances, it has been held that the accident arose out of employment :

- a) A roadman , while working on a road, was killed by lightning.
- b) A bomb placed in the premises of a workshop by some unknown person, exploded and caused injury to a workman.
- c) A workman on duty in a factory was injured due to crashing down within the premises of the factory of some aircraft .
- d) A workman lost his mental balance as a result of an injury by accident and committed suicide.

When a person runs a risk incidental to employment and is thereby injured, the injury arises out of employment. The real test is : Was it part of the injured person's employment hazard to suffer : or to do that what caused injury? If the answer is yes, the accident arose out of his employment. An accident arising out of employment almost necessarily occurs in the course of employment, but an accident in the course of employment may not necessarily arise out of employment, though ordinarily, it will. The workman claiming compensation must prove that he was at the time of accident engaged in the employment's business or in furthering that business, and was not doing something for his benefit or accommodation.

### **In the Course of Employment**

Generally speaking, employment commences when the workman reaches the place of work and ceases when he leaves the places. The expression 'in the course of employment ' refers to the period of employment and the place of work. It covers the period of time during which the employment continues. The following are included in the expression in the course of employment :

- a) Where the workman is provided with employer's transport for coming to and going from the place of employment, the time consumed in using such transport.

- b) The time when the workman is the premises of the employer, though not actually at work.
- c) The period of rest granted to the workman provided the workman remains in the employer's premises during rest period

### **Doctrine of National Extension**

The expression in the course of employment, connotes not only actual work but also any other engagement natural and necessary. Thereto, reasonably extended both as regards work hours and work place. It refers to the time during which the employment continues. As a rule, the employment of a workman does not commence until he has reached the place of employment and does not continue when he has left the place of employment. However, this is subject to the theory of natural extension of the employers promises so as to include an area which the workman passes and repassess in going to and in leaving the actual place of work. There may be some reasonable extension in both time and place and a workman may be regarded as in the course of his employment even though he had not reached or had left his employer's premises. This is also called as the Doctrine of National Extension.

Thus sphere of employment is not necessary restricted to the actual place of work, It is extended in many cases. If on his way, to or from his work, the workman proceeds by a permitted route over his employer's premises, the employment continues while he is so going, even though, in the case of alternative permitted route, The theory of national extension of the place of employment does not extend to the whole of the journey between place of work and the workman's residence. When a workman is on a public road, place or transport, he is there as any other member of the public and not in the course of employment unless the very nature of his employment makes it necessary for him to be there.

### **Situations where Employer is Liable**

The employer of any establishment covered under this Act, is required to compensate an employee who has suffered an accident arising out of and in the course of his employment resulting into

- (i) Death
- (ii) Permanent total disablement
- (iii) Permanent partial disablement,
- (iv) Temporary disablement whether total or partial, or
- (v) Who has contracted an occupational disease.

**When is employer not liable ?** An employer is not liable to pay compensation for personal injury caused to a workman by accident arising out of and in the course of employment

- (a) If the injury does not result in the total or partial disablement of the workman for a period exceeding three days.
- (b) If the injury, not resulting in death, is caused by an accident under which is directly attributable to :
  - (i) The workman having been at the time of the accident which is directly drink or drugs; or
  - (ii) The wilful disobedience of the workman to an order expressly given ,, or to a rule expressly framed, for the purpose of securing the safety or a workman; or
  - (iii) The wilful removal or disregard by the workman of any safety-guard or other device (which is an offence under the Factories Act, 1948) which he knows to have been provided for the purpose of security of the workman.

The exceptions namely (i) Intoxication by drinks or drugs, (ii) wilful disobedience of certain rules and order, (iii) wilful removal of safety devices, are not applicable, in case of a fatal accident. The reason is that where a workman has died as a result of personal injury, it is extremely difficult for dependents to rebut evidence that the accident was caused by the deceased misconduct.

**Compensation to Deposited with the Commissioner.** The amount of compensation is not payable to the workman directly. It is generally deposited along with the prescribed statement with the commissioner who will pay it to the workman. Any payment made to the workman or his dependents directly in the following cases will not be deemed to be a payment of compensation :

- (i) In case of death of the employee,
- (ii) In case of lumpsum compensation

The receipt of deposit with the commissioner shall be a sufficient proof of discharge of the employer's liability.

**Distribution of Compensation by the Commissioner.** On the deposit of any compensation in respect of a deceased workman, the commissioner shall repay to the employer, an amount paid to any dependent by the employer by way of advance against compensation. The balance compensation shall than be distributed amongst the dependents for which the commissioner shall publish or server upon each dependent a notice requiring them to appear before him. The commissioner shall apportion the compensation among the dependents in such proportion as he deems fit.

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## **10.2 THE FACTORIES ACT,1948**

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The object of the Act is to protect the workers against industrial and occupational hazards. It endeavors to secure for the workers

conditions conducive to their health. The scope of this Act is quite wide and covers all aspects relating to factories namely : approval; licensing and registration; inspecting authorities : health safety, welfare, working hours, employment of adults and young children; annual leaves, and penalties for violation.

**Meaning of “Factory”** Section 2(m) defines a factory as any premises including its precincts wherein (i) a manufacturing process is carried on and (ii) the specified number of workers (10 in case manufacturing is carried on with the aid of power, and 20 if carried on without power) are working therein on any day of the preceding twelve months.

‘Mines’ Government by Indian Mines Act or mobile unit of armed forces or a railway running shed or hotel restaurant or eating place etc. are not included in the term ‘factory’.

**Meaning of ‘Worker’ :** The term ‘worker’ is defined in section 2(1) to mean any person employed directly or through an agency and whether for or without remuneration either in the manufacturing process or in some work connected with or incidental thereto.

**Approval of Factory Site.** Section 6 of the Act provides that before a site is used as factory, previous, permission in writing of the State Government or the Chief Inspector must be obtained.

#### **Health of Worker (Sec. 11 To 20)**

Section 11 to 20 deal with the health of workers and contain the following provision :

- (a) **Cleanliness.** Every factory must be kept clean and free from effluvia arising from any drain, privy or other nuisance.
- (b) **Disposal of wastes and effluents** so as to render them innocuous.
- (c) **Ventilation and temperature.** Effective arrangements must be made to secure and maintain in every work-room (i) adequate ventilation and (ii) such temperature as will secure reasonable conditions of comfort and prevent injury to workers.
- (d) **Dust and Fumes.** Where the manufacturing process is liable to give dust or fume, steps must be taken to prevent its inhalation and accumulation in any workroom.
- (e) **Artificial humidification.** Regulation relating to the method to be used for artificial humidification as prescribed by the state government must be observed.
- (f) **Overcrowding.** To prevent overcrowding, there must be 500 cubic feet of space for every worker in a workman.
- (g) **Lighting.** In every part of the factory where worker are working or passing, sufficient lighting-natural, artificial or both shall be maintained.

- (h) **Drinking water.** Adequate arrangement for drinking water is to be made and where the number of workers is more than 250, cool drinking water shall be provided.
- (i) **Latrines and urinals.** With separate accommodation for male and female workers.
- (j) **Spitoons are.** To be provided at convenient places in the factory.

Section 21 to 41 deal with the safety of employees in factors discussed below:

**Safety of workers (Sec. 21 to 41)**

- (a) **Fencing of machinery.** The dangerous parts of all such machines as moving parts of prime movers, fly wheels, electric generators rotary converters etc. shall be securely fenced.
- (b) **Work on or near moving machines.** Work on moving machinery shall be carried out only by specially trained adult male worker wearing light fitting clothes and whose name has been recorded in a register.
- (c) **Young persons.** Shall not be made to work on a dangerous machine unless fully instructed or sufficiently trained or placed under the supervision of an-experienced person.
- (d) **Provision and maintenance of striking gear or other devices.** For cutting off otherwise effectively guarded.
- (e) **Casing of new machinery.** All power driven machinery shall be encased or otherwise effectively guarded.
- (f) **Prohibition of employment of women and children near cotton openers.**
- (g) **Hoists and Lifts.** In every factory, hoists and lifts are to be of good mechanical construction, sound material and adequate strength and thoroughly examined by a competent person every six months.
- (h) **Revolving Machinery.** Where grinding is carried on in a factory, maximum safe working peripheral speed of grindstone shall be notified by means of a notice.
- (i) In case of **Pressure plants** safe working pressure is not to be exceeded.
- (j) **Floors, Stairs and means of access.** All these shall be of sound construction and properly kept and maintained.
- (k) **Pits, pumps or opening in floors** are to be securely covered or fenced.

- (l) Provisions have also been made for protection of eyes and for taking precautions against **dangerous fumes**, explosive or inflammable dust, gas etc. ; and also in case of fire.
- (m) **Obligation to appoint safety officers.** Safety officers shall be appointed if the factory employs 1000 or more workers or if the state government so prescribes.

The owner of a shall industry is also advised to keep in mind the provisions relating to hazardous processes introduced by the Amendment Act, 1987.

### **Welfare of Workers (Sec.42 to 50)**

A worker would be entitled to the following facilities

- (a) Washing facilities; (b) facilities for storing and drying clothing; (c) Facilities for sitting, (d) First-aid appliances' (e) Canteen (where 250 workers are employed); (f) Shelters, rest-rooms and lunch-rooms) (g) Creches (if 30 or more women are employed); (h) Appointment of welfare officers in every factory employing 500 or more workers.

### **Hours of Work (Secs. 51 to 54)**

Maximum working hours for adult worker per week shall be 48. The daily hours of work shall be restricted to 9. There is to be a **rest interval** of half an hour after 5 hours. The period of work cannot be spread over more than 10<sup>1/2</sup> hours.

There is provision for holiday on the first day of the week (or other substituted day which is duly notified). Compensatory holiday must be given where the worker is deprived of his weekly holiday. Where a worker works for more than 9 hours in any day or more than 48 hours in a week, he will be entitled to double the ordinary rate of wages. There is a prohibition on double employment.

### **Employment of Children**

Section 67 of the Act forbids the employment of a child (i.e. person below 14 years of age in a factory. Though non-adult : worker who has completed 14<sup>th</sup> years but not 15<sup>th</sup> years and an adolescent who has completed 15<sup>th</sup> year but not 18<sup>th</sup> year may be permitted to work in a factory provided he has a certified of fitness from a certifying surgeon and carries a token giving reference to that certificate while at work. But a person who has not completed 17<sup>th</sup> year of age shall not be allowed to work in factory during night.

Working hours for a child shall be 4<sup>1/2</sup> spread over 5 hours. Moreover, the period of work of children shall be limited to two shifts which shall not overlap. There is a further obligation to maintain a Register of Child- workers.

Further, there is a general prohibition on the employment of children on moving machinery or dangerous machinery or for pressing cotton in a cotton opener. **Labour Verification**

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### **10.3 THE EMPLOYEES' STATE INSURANCE ACT, 1948**

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The principal object of this Act is to secure certain benefits to employees and their dependents. These benefits are available in the event of sickness, maternity and employment injury. The benefits are given in the form of (a) periodical payment and/or (b) medical treatment.

The Employees' State Insurance Act, 1948 is applicable to non-seasonal factories using power and employing 10 or more persons and non-power using factories employing 20 or more persons. It covers employees drawing wages not exceeding Rs. 15,000 with effect from 01.05.2010. The Act provides for medical care in kind and cash benefit payments in the contingency of sickness, maternity and employment injury and pension for dependents in the event of death of a worker because of employment injury. Full medical care including hospitalization is also being progressively made available to the members of the family of the insured persons. Under Rajiv Gandhi Shramik Kalyan Yojana, which has been introduced w.e.f. 01.04.2005, unemployment allowance is paid to the insured person for a maximum period of twelve months (w.e.f. 01.20.2009) from the date of unemployment. This allowance shall cease to be payable in case the insured persons get employment or attain the age of superannuation of 60 years, whichever is earlier.

The Act does not apply to : (a) seasonal factories; (b) factories or establishments under the control of the Government; (c) a worker whose wages exceed the limit stipulated by the government; (d) factories working with the aid of power but employing less than ten persons; (e) factories working without the aid of power but employing less than twenty persons; (f) mines subject to the Mines Act, 1952; (g) railway running sheds.

#### **Benefits under the Act**

**(1) Medical Benefit :** Medical treatment and attendance are provided for the insured person as well as his dependents at the State Insurance Dispensaries.

**(2) Sickness Benefit:** Under it, periodical Payments are made to the person who is in receipt of free medical aid.

**(3) Maternity Benefit :** It consists of periodical payments in case of confinement of an insured woman employee. The benefit is payable for a period of 12 weeks of which not more than 6 shall precede the expected date of confinement.

**(4) Dependents' Benefit :** These are periodical payments to the dependents of an insured employee who has died as a result of injury sustained in the course of employment.

**(5) Disablement benefit :** If an insured person is injured in the course of his work and disabled-permanently or temporarily, he will get cash payments on a periodic basis.

### **Contributions**

The scheme being contributory in nature, both the employers and the employees have to pay their contributions at the rates prescribed in the Act.

Employer's contribution : 4.75% of employee's wages

Employer's contribution : 1.75% of employee's wages

### **Conditions for Receipt of Sickness or Disablement Benefit**

A person in receipt of Sickness or disablement benefit (except that granted on permanent disablement) is required to observe the following conditions:

- (i) The remain under medical treatment at a dispensary , hospital clinic pervaded in the Act.
- (ii) To carry out the instructions given by the medical officer.
- (iii) Not to do anything which might retard or prejudice the chances of recovery.
- (iv) Not to leave the area where medical treatment is given without the permission of the medical officer.
- (v) To allow himself to be examined by duly appointed medical officer or other person authorized by the Corporation.
- (vi) *Obstructing any officer of ESIC in the discharge of duties etc*

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## **10.4 THE EMPLOYEES PROVIDENT FUND AND MISC. PROVISIONS ACT, 1952**

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The Act is piece of welfare legislation designed to provide security of old age to the industrial workers. Under the Act. The employees and employers are required to contribute sums to the provident fund for the benefit of employees.

### **Application to the Act.**

The Act is applicable :



- Labour Verification**
- (a) To every establishment which is a factory engaged in any industry specified in Schedule I in which twenty or more persons are employed' and
  - (b) To any other establishment which the central Government may be notification in the Gazette, specify.

The act could be made applicable by the Central Provident Fund Commissioner if any application in this behalf is made to him or there is a mutual agreement between the employer and the majority of employees.

### **Contribution**

The contribution to the made by the employer and employee his been fixed @8.33 percent of basic wages, dearness allowance and retaining allowance if any.

### **Administration of the Act**

The Employees Provident Funds and Miscellaneous Provisions Act. 1952. Seeks to provide financial social security to the employees in the form of provident fund, pension and deposit-linked insurance. It extends to the whole of India except the State of Jammu and Kashmir . It applied to every establishment specified in the schedule and in which twenty or more persons are employed. The Central Government by notification in the Officer Gazette may specify, any other establishment employing twenty or more persons or class of such establishments to which the Act shall apply. As on 31.03.2010 the Act covered 186 specified industries/classes of establishments. Three schemes have been framed under the Act viz., Employees' Provident Fund Scheme, 1952, Employees' Pension Scheme, 1995, Employees' Deposit linked Insurance Scheme, 1976, The Central Board of Trustees (CBT) through Employees Provident Fund Organisation (EPEO) administers the schemes.

The CBT (EPF) is a tripartite body headed by the Union Minister of Labour and Employment Employees' Provident Fund Organisation (EPFO) and has approximately 59 million subscribers enrolled in the three schemes, Employees Provident Fund Organisation provides various services from collection of members' contribution from establishment to maintenance of members accounts to actual disbursement of money under various defined benefit plans to members and their nominees.

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## **10.5 THE INDUSTRIAL DISPUTES ACT, 1947**

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The main object of Act is to make provision for the investigation and settlement of industrial disputes and to :

- (a) Promote measures for securing goods relations between employers and workmen;
- (b) Inquire into any matter connected with or relevant to an industrial dispute;

- (c) Promote the settlement of industrial disputes ;
- (d) Refer individual disputes to grievance settlement authority;
- (e) Prevent illegal strikes and lockouts;
- (f) Prevent unfair labour practices ;
- (g) Provided for the payment of wages from date of award till final decision in court.

By an amendment in 1982, it has been made obligatory for an employer to set up a Grievance Settlement Authority' in an industrial establishment in which fifty or more workmen have had been employed in the preceding twelve months, it shall have the responsibility to settle industrial disputes connected with an individual workman.

The employers have been made liable to pay compensation in the event of lay off, retrenchment, transfer of undertakings and closing down of undertakings.

The Industrial Disputes Act, 1947, also provides the machinery and procedure for the investigation and settlement of industrial disputes, the act has been amended vide the investigation and disputes (Amendment) Act, 2010 and enforced w.e.f. 15.09.2010. By these amendments, the definition of 'appropriate Government' has been made more specific and the wage ceiling of the workers working in a supervisory capacity has been enhanced from Rs. 1500 per month to Rs.10,000 per month bringing it on parity with other labour laws.

An significant feature of the amendments is to provide direct access for the workmen to the Labour Courts or Tribunal in case of disputes arising out of Section 2-A workman can directly approach the CGITs-Cum Labour Courts after 45 days of filling his grievance before the Conciliation Machinery and there will be no need for him to approach the 'Appropriate Government' for making a reference. The amended Act makes it statutory to establish a Grievance Redressal Mechanism within all industrial establishments employing 20 or more workmen.

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## **10.6 THE PAYMENT OF WAGES ACT, 1936**

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The object of the Act is to are secure to workers the payment of wages in a particular form and at regular intervals without any unauthorized deductions. The Act mainly deals with the responsibility for payment of wages, the fixation of wage period, the time for payment of wages and most importantly the deductions that can be made from the payment of wages.

### **Applicability**

The provisions of the Act are applicable to persons employed in a factory or industrial or other establishment or in a railway-whether directly

or indirectly through a sub contractor. The Act does not apply to persons whose wages exceed Rs, 10,000 p.m. **Labour Verification**

**Responsibility for Payment.** The Responsibility of payments of wages has been vested with the employers although the following persons shall also be so liable.

- (a) Manager in the case of factories.
- (b) Person responsible to the employers for the supervision and control of the industrial or other establishment in the case of industrial or other establishment,
- (c) Persons nominated by the railway administration in the case of railways.

**Time for Payment :** In the case of establishment and undertakings which employ less than 100 persons, wages shall be paid before the expiry of the seventh day and in all other establishments, wages shall be paid before the expiry of tenth day, after the last day of the wage period in respect of which the wages are payable. The wages of a persons whose services services have been terminated shall be paid on the next day after such termination. The payment must be made on a working day.

**Permissible Deductions :** Only following deductions can be made from the wages of an employee, (a) fines, (b) absence from duty, (c) damage/loss of goods or of money entrusted to employee, (d) housing accommodation provided by the employer, (e) any amenity or service supplied by the employer, (f) recovery of advances or abjustment of over-payment, (g) recovery of loans, (h) income tax, (i) contribution to and repayment of advanced form any provident fund, (j) payment to cooperative society or scheme of insurance maintained by the Indian Post Office, (k) deduction made with written authorisation of employee for payment of premium on his life insurance policy or purchase of securities.

The total amount of deductions shall not exceed 75% of the wages where deductions are made for payment to cooperative societies and in any other case 50% of the wages.

**Rules for Imposition of Fine :** fines can be imposed in respect of approved list of acts and omissions, the list must be exhibited at or near the main entrance of the factory or at the prescribed places in the case of railway. Before inposing fine, the employee shall be given an opportunity of showing cause. The total amount of fine shall not exceed an amount equal to half-an-anna in the rupee of the wages payable to him in respect of that wage period. No fine shall be imposed on a person below the age of 15 years.

All fines and amounts realized on account of such fines shall be recorded in a register.

Similar rules have been made with regard to deductions of absence from duty, damage and loss, recovery of advances, payment to cooperative societies etc.

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## **10.7 TRADE UNIONS ACT, 1926**

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### **Definition of Trade Union and Related Concepts**

The Trade Unions Act defines trade union as “any combination, whether temporary or permanent, formed primarily for the purpose of regulation the relations between workmen and employers or between workmen and workmen, or between employers and employers, or for imposing restrictive conditions conduct of any trade of business and includes any federation of two or more trade unions.”

According to the above definition a trade union can be either a union of workmen or of employers. The term “workmen” has not been independently defined in the Trade Unions Act. But in the definition of the term “trade dispute” in section 2(g) the term “workman” has been used to include : “all persons employed in the trade or industry whether or not in the employment of the employer with whom the trade dispute arises”. This means that all the persons whether doing skilled, unskilled, manual, supervisory, technical, managerial or clerical work are workmen provided they are employed in any “trade” or “industry.”

The above definition of trade union also prescribes the primary objectives for which a trade union may be formed; these are:

- (a) To regulate the relations (i) between employers, (ii) between workmen, or (iii) between employees and workmen.
- (b) To impose restrictive conditions on the conduct of any trade or business. Besides these primary objectives which determine whether a union is trade union or not under the Act, there can be other objectives also. Thus a union may also have a number of economic, political and social objectives besides its primary objectives, On the question whether there is any age restriction for becoming the member of a trade union, section 21(A) (I) (i) of the Act provides that a person who has attained the age of 15 Years may become the member of a registered trade union unless the rules of the union provide otherwise. But to become an office-bearer of the union or member of the executive of the union he should attain the age of 18 years.

### **Registration of Trade Unions**

Any seven or more member of a trade union can, by subscribing their names to the rules of the trade union and union and by otherwise complying with the provision of the Trade Unions Act. apply for registration under the Act. The application has to be made to the Registrar of Trade Unions. This application must be accompanied by a copy of the rules of the trade union and a statement of the following particulars :

1. The names, occupations and addresses of the members making the application:
2. The name of the trade union and the address of its head officer and
3. The titles, names ages, address and occupations of the office-bearers of the trade union.

Where a trade union has been in the existence for more than one year. A general statement of assets and liabilities of the Trade Union is to be submitted to the registrar along with other relevant documents. Registration of a union is not done unless its executive is constituted. According to the provisions of this act and the rules of the union provide for the following matters:

1. The name of the trade union:
2. The objects for which the trade union has been established;
3. The whole of the purposes for which has general funds of the trade union shall be applicable, all of which purposes shall be purposes to which such funds are lawfully applicable under this Act;
4. The maintenance of a list of the members of the trade union and adequate facilities for the inspection thereof by the office-bearers and members of the trade union;
5. The admission of ordinary members who shall be persons actually engaged or employed in an industry with which the trade union is connected;
6. The payment of a subscription by members of the trade union which shall be not less than 25 paise per month per member;
7. The conditions under which any member shall be entitled, to any benefit assured by the rules and under which any fine or forfeiture may be imposed on the members;
8. The manner in which the rules shall be amended, varied or rescinded;
9. The manner in which the members of the executive and the other office-bearers of the trade union shall be appointed and removed;
10. The safe custody of the funds of the trade union, and annual audit, in such manner as may be prescribed, of the accounts thereof, and adequate facilities for the inspection of the account books by office-bearers and members of the trade union; and
11. The manner in which the trade union may be dissolved. On registration, the Registrar would issue a certificate of registration in the prescribed form. This services as a conclusive evidence that the said trade union has been duly registered. The privilege of a registered trade union is that it becomes a body corporate having a perpetual succession and a common seal. It acquires a legal personality separate From its members. It can acquire and hold property and can contact, sue and be sued in its own name. An

unregistered trade union being a fluctuating body of individuals having no separate legal entity does not enjoy these privileges. Its members are collectively and severally liable for the acts of the union.

### **Distinction between a Registered and an Unregistered Trade Union**

From the above description it is clear that there are a number of differences between a registered and an unregistered trade union. These may be summarized as follows:

1. A registered trade union is a legal entity separate from its members. Hence it can **hold property**, enter into contracts, sue and sued in its own name. An unregistered trade union is not a legal entity separate from its members. Hence it cannot hold property, enter into contracts sue and sued in its own name. Its members are collectively and severally liable for its acts like the partners of an unregistered firm.
2. A registered trade union enjoys a number of statutory rights such as :
  - Use of its general funds for certain specific purpose.
  - Creating of a separate fund for political purpose.
  - Immunity from punishment for criminal conspiracy (not amounting to an offence) for further objects specified in Section 15.
  - Immunity from civil suit in certain cases.
  - Representation of workmen to the works committee.
  - No such rights are available to an unregistered union.
3. A registered trade union is required to observe a number of formalities such as:
  - Maintaining books of accounts and the list of members.
  - Keeping books and list open for members inspection.
  - Submitting annually to the Registrar duly audited statement of receipts and expenditures and assets and liabilities.

### **Legal Status of a Registered Union**

A trade union enjoys the following advantages after registration:

- i) It becomes a body corporate.
- ii) It gets perpetual succession and a common seal.
- iii) It can acquire and hold both movable and immovable property.
- iv) It can enter into contracts with others.
- v) It can sue and be sued in its registered name.

## **Cancellation of Registration**

The Registrar of Trade Unions can cancel the registration in the following cases: (i) on the application of the trade union, (ii) where the certificate of registration has been obtained by fraud or mistake, (iii) where the trade union has ceased to exist, (iv) where any rule of the union is inconsistent with the provisions of the Act, (v) where the union has rescinded any rule providing for any of the compulsory matters. (vi) where the primary objects of the union are no longer in harmony with the statutory objects.

## **Rights and Privileges of a Trade Union**

The rights and privileges of a registered trade union include : (a) it is a body corporate, (b) it can keep separate fund for political purposes, (c) it enjoys immunity from criminal conspiracies, (d) it enjoys immunity from civil suits, (e ) an agreement between the members of a registered trade union not to accept employment is valid (not void being agreement in restraint of trade, (f) it has right to amalgamate to form a larger union or federation of unions, (g) members of the union have a right to inspect books, (h) any person who has attained the age of 15 years can become the member of the union.

**Immunity from Criminal Prosecution.** No office-bearer or member of a registered trade union shall be liable to punishment under sub-section (2) of section 120 B of the Indian Penal Code, in respect of any agreement made between the members for the purpose of furthering any such objects of the trade as are specified in section 15, unless the agreement is an agreement to commit an offence.

Section 120B(2) of the Indian Penal Code provides for punishment for the offence of criminal conspiracy. But Section 17 of the Trade Unions Act gives immunity to members and office-bearers of registered trade unions from criminal conspiracy in connection with trade disputes. The term trade dispute is defined in Section (2)g.

**Immunity from Civil Suit in Certain Cases.** No suit or other legal proceeding shall be maintainable in any Civil Court against any registered trade union or any office-bearer or member there in respect of any act done in contemplation or furtherance of a trade dispute to which a member of the trade union is party on the ground only that such act induces some other person to break a contract of employment of some other person or with the right of some other person to dispose of his capital or his labour as he wills.

A registered trade union shall not be liable to a suit or other legal proceeding in any Civil Court in respect of any tortious act done in contemplation or furtherance of a trade dispute by an agent of the trade union if it is proved that such person acted without the knowledge of, or contrary to express instruction given by, the executive of the trade union- Sect18(2).

**Amalgamation of Unions.** Any two or more registered trade unions may become amalgamated together as one trade union, with or without dissolution or division of the funds of such trade unions or either or any of them provided that the votes of at least one half of the members of each or every such trade union entitled to vote are recorded and that at least sixty percent of the votes recorded are in favour of the proposal.

Notice in writing of amalgamation, signed by the secretary and seven members of each and every trade union which is party thereto shall be sent to the registrar of each the states in which any of the amalgamated unions had a registered office. The Registrar of the State that all the provisions of the Act have been complied with. The amalgamation takes effect from the date of registration.

An amalgamation of two or more unions does not prejudice any right of any of the trade unions or any right of a creditor of any of them.

### **Duties and Liabilities**

The Trade Unions Act impose duties and liabilities on registered trade unions. They are discussed below :

1. **Change of registered Office.** If the address of the head office of a trade union is changed, notice in writing must be given to the registrar within fourteen days of the change. The change shall be recorded in the Register.
2. **Objects on which general funds may be spent.** Section 15 provides that the general funds of a registered trade union shall be spent on any object other than the following:
  - (a) The payment of salaries, allowances, and expenses to office-bearers of the trade union;
  - (b) The payment of expenses for the administration of the trade union, including audit of the account of the general funds of the trade union;
  - (c) The prosecution or defense of any legal proceeding to which the trade union or any member thereof is a party, when such prosecution or defense is undertaken for the purpose of securing or protecting any rights of the trade union as such or any rights arising out of the relations of any member with his employer or with a person the member employs;
  - (d) The conduct of trade disputes on behalf of the trade union or any member thereof;
  - (e) the compensation of members for loss arising out of trade disputes;
  - (f) Allowances to members or their dependents on account of death, old age, sickness, accidents or unemployment of such members;



- (g) The issue of, or the undertaking of liability under, policies of assurance on the lives of members, or under policies insuring members against sickness, accident or unemployment;
- (h) The provision of educational, social or religious benefits for members (including the payment of the expenses of funeral or religious ceremonies for deceased members) or for the dependents of members;
- (i) The upkeep of a periodical published mainly for the purpose of discussing questions affecting employers of workmen as such;
- (j) The payment, in furtherance of any of the objects on which the general funds of the trade union may be spent, of contributions to any cause intended to benefit workmen in general, provided that the expenditure in respect of such contributions in any financial year shall not at any time during that year be in excess of one-fourth of the combined total of the gross income which has upto that time accrued to the general funds of the trade union during that year and of the balance at the credit of those funds at the commencement of that year; and
- (k) Subject to any conditions contained in the notification any other object notified by the appropriate Government in the Official Gazette.

**3. The Political Fund.** Section 16 empowers a registration trade union to constitute a separate fund to be used for political purposes. Contributions to the Political Fund must be separately collected on a voluntary basis. No member can be compelled to contribute to this fund. No member can be excluded from any benefit or deprived of any privilege by reason of his not contributing to it. The political fund can be used for the following purposes:

- (a) The payment of any expenses incurred, directly or indirectly, by a candidate or prospective candidate for election to a legislative body under the constitution or to a local body. The expenses might have been incurred before, after or during the election.
- (b) The holding of any meeting or the distribution of any literature or documents in support of such a candidate.
- (c) The maintenance of a person who is a member of a legislative body under the constitution or of a local body.
- (d) The registration of electors or the selection of a candidate for election to a legislative body under the constitution or a local body.

(e) The holding of political meetings of any kind or the distribution of political literature or political documents of any kind.

**4. Proportion of Office-bearers to be connected with the industry.**

Not less than one-half of the number of the office-bearers of every registered trade union shall be persons actually engaged or employed in an industry with which the trade union is connected. The appropriate Government may by a special or general order exempt any union or class of unions from this provision.

**5. Dissolution.**

A registered trade union may be dissolved according to the rules of the union. Notice of the dissolution must be given signed by the secretary and seven members within fourteen days of the dissolution. The dissolution takes effect from the date it is registered. If the rules of the union do not provide how the funds of the union shall be distributed, the Registrar shall distribute the funds among the members in the manner prescribed by the rules framed under the Act.

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## 10.8 PAYMENT OF GRATUITY ACT, 1972

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Gratuity is viewed as a gift made by an employer at his discretion, gratuitously to the employees. Generally gratuity is looked upon as a legitimate claim of employees. Whereas provident fund is aimed at including thrift in the employee with a view to provide for his old age, gratuity is a retirement benefit earned by the employee by rendering services. The payment of Gratuity Act, 1972 provides for a payment of gratuity by the employer to an employee, on termination of his employment after having rendered services for not less than five continuous years. The various provisions of the act can be summarized as given in the following table:

Applicability	Every factory, mine, oil field, plantation, port, railways, company, shop, establishment or educational institutions employing 10 or more employees	Sec. 1
Calculation	At 15 days wages for every completed year on an average of 3 months wages	Sec. 4
Employee	All employees irrespective of status of salary	Sec. 2(e)
Entitlement	On completion of five years services, except in case of death or disablement	Sec. 2(e)
Qualifying period	On rendering of five years service, either termination, resignation or	Sec 2(e)

	retirement	
Nomination	To be obtained by employer after expiry of one year's service in Form 'F'	Sec 6, Rule 6
Forfeiture of Gratuity	On termination of employee for moral turpitude or disorderly behavior & wholly or partially for willfully causing loss or destruction of property etc	Sec 4 (6)
Maximum Ceiling	Rupees ten lakh	Sec 4 (3)
Mode of Payment	Cash, bank draft or check	Rule 9
Protection of Gratuity	Cannot be attached in execution of any decree	Sec 13
Penalties	Imprisonment for 6 months or fine upto 10,000 for any misstatement or representation	Sec 9
Wages for Calculation	At 15 days wages for every completed year as if the month comprises of 26 days at the last wages drawn	Sec 2(8)

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## 10.9 FURTHER READINGS

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# ROUGH WORK