

As per the Revised Syllabus of Mumbai University
for BBI, Semester VI

HUMAN RESOURCE MANAGEMENT



R. Krishnamoorthy
R. Viswanathan

Himalaya Publishing House

ISO 9001:2015 CERTIFIED

HUMAN RESOURCE MANAGEMENT

(As per the Revised Syllabus of Mumbai University for BBI, Semester VI)

R. KRISHNAMOORTHY

B.Sc. (Agri.), M.M.M., P.G.D.H.R.M.

Visiting Professor, Management Institutes,
Formerly National Sales Manager, Sandoz Agro Division and
General Manager (HR), Syngenta Crop Protection Division,
Mumbai.

LATE R. VISWANATHAN

L.T.M., M.Com., M.B.A., M.Phil.

Senior Faculty of Management Studies,
SNS Business School, SNS College of Technology
and Textile Management Consultant,
Coimbatore.



Himalaya Publishing House

ISO 9001:2015 CERTIFIED

© **Authors**

No part of this publication may be reproduced, stored in a retrieval system, or transmitted in any form or by any means, electronic, mechanical, photocopying, recording and/or otherwise without the prior written permission of the authors and the publisher.

First Edition : 2014
Reprint : 2016, 2017
Second Revised Edition : 2019
(as per Revised Syllabus)

Published by	: Mrs. Meena Pandey for Himalaya Publishing House Pvt. Ltd. , "Ramdoot", Dr. Bhalerao Marg, Girgaon, Mumbai - 400 004. Phone: 022-23860170, 23863863; Fax: 022-23877178 E-mail: himpub@vsnl.com; Website: www.himpub.com
Branch Offices	:
New Delhi	: "Pooja Apartments", 4-B, Murari Lal Street, Ansari Road, Darya Ganj, New Delhi - 110 002. Phone: 011-23270392, 23278631; Fax: 011-23256286
Nagpur	: Kundanlal Chandak Industrial Estate, Ghat Road, Nagpur - 440 018. Phone: 0712-2721215, 3296733; Telefax: 0712-2721216
Bengaluru	: Plot No. 91-33, 2nd Main Road, Seshadripuram, Behind Nataraja Theatre, Bengaluru - 560 020. Phone: 080-41138821; Mobile: 09379847017, 09379847005
Hyderabad	: No. 3-4-184, Lingampally, Besides Raghavendra Swamy Matham, Kachiguda, Hyderabad - 500 027. Phone: 040-27560041, 27550139
Chennai	: New No. 48/2, Old No. 28/2, Ground Floor, Sarangapani Street, T. Nagar, Chennai - 600 012. Mobile: 09380460419
Pune	: "Laksha" Apartment, First Floor, No. 527, Mehunpura, Shaniwarpet (Near Prabhat Theatre), Pune - 411 030. Phone: 020-24496323, 24496333; Mobile: 09370579333
Lucknow	: House No. 731, Shekhupura Colony, Near B.D. Convent School, Aliganj, Lucknow - 226 022. Phone: 0522-4012353; Mobile: 09307501549
Ahmedabad	: 114, "SHAIL", 1st Floor, Opp. Madhu Sudan House, C.G. Road, Navrang Pura, Ahmedabad - 380 009. Phone: 079-26560126; Mobile: 09377088847
Ernakulam	: 39/176 (New No. 60/251), 1st Floor, Karikkamuri Road, Ernakulam, Kochi - 682 011. Phone: 0484-2378012, 2378016; Mobile: 09387122121
Bhubaneswar	: Plot No. 214/1342, Budheswari Colony, Behind Durga Mandap, Bhubaneswar - 751 006. Phone: 0674-2575129; Mobile: 09338746007
Kolkata	: 108/4, Beliaghata Main Road, Near ID Hospital, Opp. SBI Bank, Kolkata - 700 010. Phone: 033-32449649; Mobile: 07439040301
DTP by	: Sneha
Printed at	: M/s. Aditya Offset Process (I) Pvt. Ltd., Hyderabad. On behalf of HPH.

PREFACE

It gives me great pleasure to present the Second Revised Edition of the book on **Human Resource Management** to the students of Bachelor of Banking and Insurance. This book is written on the lines of the new syllabus prescribed by the University of Mumbai. Case studies and questions as per new question paper pattern have been included to enable the students to learn the application of the principles of Human Resource Management.

I request the students, teachers and others to provide constructive suggestions to further improve the contents and quality of the book.

I am thankful to Himalaya Publishing House Pvt. Ltd. for their kind co-operation and excellent service in bringing out the second revised edition of the book.

Mumbai
15/01/2019

R. Krishnamoorthy
velonie@yahoo.com

SYLLABUS

Modules at a Glance

Sr. No.	Modules	No. of Lectures
01	Framework of Human Resource Management	15
02	HR Procurement	10
03	HR Planning and Recruitment	10
04	Training and Development	15
05	Compensation	10
Total		60

Sr. No.	Modules / Units
01	Framework of Human Resource Management
	Introduction to HRM, Nature of HRM, Scope of HRM, Functions and Objectives of HRM, HRM Policies and Practices, Role and Functions of HR Manager (in Banking and Insurance Sector). HRM and Strategies , Strategic Function of HRM, Understanding and Implementing Global Competitiveness and HR, Strategic HR, Linkages of Organizational and HR Strategies.
02	HR Procurement
	Job Analysis and Design – Job Analysis, Introduction, Importance, Purpose, Benefits, Job Evaluation, Competency Based Job Analysis. Job Design – Introduction, Characteristics, Factors Affecting Job Design, Job Satisfaction.
03	HR Planning and Recruitment
	Definition, Objectives, Need and Importance of HR Planning, Preparing Manpower Inventory, Promotions and Transfers. Recruitment – Strategic Approach to Recruitment, Recruitment Source; Internal and External, Selection Procedure.
04	Training and Development
	Employee Training and Development – Nature and Process of Training, Training methods, On-the-job, Off-the-job. Management Development Programme, Performance Appraisal – Definition, Methods, Advantages and Limitations of Appraisal.
05	Compensation
	Meaning, Need and Importance, Current Trends in Compensation, Team Based Incentives, Pension Schemes with Reference to Banking and Insurance, Fringe Benefits, Perquisites, Allowances and Other Non-monetary Benefits. Voluntary Retirement Scheme – Concept, Types, Needs, Effects with Reference to Banking and Insurance. Participative Management – Meaning, Levels, Types, Employee Welfare, Comparative Study of Working Conditions in Banks, Financial Institutions, Insurance Companies.

PAPER PATTERN

Maximum Marks: 75

Questions to be Set: 05

Duration: 2½ Hours

All Questions are Compulsory Carrying 15 Marks each.

Question. No.	Particular	Marks
Q-1	Objective Questions (A) Sub-questions to be Asked (10) and to be Answered (any 08) (B) Sub-questions to be Asked (10) and to be Answered (any 07) (*Multiple Choice/True or False/Match the Columns/Fill in the Blanks)	15 Marks
Q-2	Full Length Question OR	15 Marks
Q-2	Full Length Question	15 Marks
Q-3	Full Length Question OR	15 Marks
Q-3	Full Length Question	15 Marks
Q-4	Full Length Question OR	15 Marks
Q-4	Full Length Question	15 Marks
Q-5	(A) Theory Questions (B) Theory Questions OR	08 Marks 07 Marks
Q-5	Short Notes To be Asked (05) To be Answered (03)	15 Marks

Note: Theory question of 15 Marks may be divided into two sub-questions of 7/8 and 10/5Marks.

CONTENTS

No.	Chapters	Page No.
1	Nature and Scope of Human Resource Management	1 - 15
2	Human Resource Management and Strategies	16 - 22
3	Job Analysis, Job Design and Job Evaluation	23 - 39
4	Human Resource Planning	40 - 55
5	Recruitment, Selection and Induction	56 - 72
6	Training and Development	73 - 82
7	Management Development	83 - 89
8	Employee Performance Appraisal	90 - 109
9	Compensation Management	110 - 131
10	Participative Management	132 - 145
	Case Studies	146 - 151
	HR Records	152 - 169
	Reference Books	170

Nature and Scope of Human Resource Management

● INTRODUCTION

Management is the process of getting effective results through and with people. The management process includes planning, organising, leading and controlling activities to accomplish objectives. Good management involves getting the co-operation of employees in the organisation. Winning the co-operation of employees is one of the major problems faced by the management. Human Resource Management (HRM) is a management function like marketing, finance and production and it deals with people's dimension in an organisation. HRM is concerned with involvement of all the members of the organisation and working together for a common purpose. HRM is an important function and applies to all types of enterprises such as small, big, commercial, non-commercial, private or public enterprises.

Human resource management (HRM) means managing people in the organisation. Human resource management is concerned with acquiring competent people, developing their skills and motivating them to high levels of performance and ensuring that they continue to maintain their commitment to the organisation. Any organisation that wants to survive and grow in a fast changing environment needs HRM.

Out of the six "Ms" in management, i.e., men, money, materials, machine, market and methods, the most important "M" stands for men, the manpower working in the organisation. While the value of assets depreciates, the value of trained employees increases over a period of time. An organisation that is able to acquire, develop, stimulate and manage their human resources will be successful in the long run.

During the last few years lot of technological changes have taken place in the business environment. However human resource still remains the most important factor contributing to the success of an organisation. Human resource is the most productive, most versatile asset and human resource can yield an output far greater than the input. It is seen that most of the problems in organisational settings are human and social and organisations that provide a quality worklife for their employees tend to perform more efficiently and profitably. Top management is paying increased attention to human resources that need to be closely integrated with planning and implementation of company plans.

● MEANING OF HUMAN RESOURCE MANAGEMENT (HRM)

HRM deals with human resources, i.e., people working in an organisation. It is concerned with employees, both as individuals and as a group. Human resources imply that people are considered as resources rather than problems. HRM focuses on people. People are seen as having skills, potential, and ability to grow, change and develop in an organisation. The quality of human resources can be enhanced by education, training and development.

HRM involves planning, organising, directing and controlling the operative functions of procurement, development, compensation and integration of human resources of an organisation for achievement of objectives. Machines, materials, money, market and methods have to be managed by competent employees in an organisation. HRM is responsible for hiring competent people and ensuring all the employees work together with a shared purpose. All managers are responsible for human resource development.

Definitions of HRM

1. According to **Michael Armstrong**, “HRM is a strategic approach to the acquisition, motivation, development and management of the human resources. It is developed to shaping an appropriate corporate culture and introducing programmes which reflect and support the core values of the enterprise and ensure its success”.

2. According to the **Wendell L. French**, “the human resource management refers to the philosophy, policies, procedures and practice related to the management of people within the organisation”.

3. **Edwin Flippo** has defined Personnel Management as “the planning, organising, directing, and controlling of the procurement, development, compensation, integration, maintenance and separation of human resources to the end that individual, organisational and societal objectives are accomplished”.

4. According to **David A. DeCenzo and Stephen P. Robbins**, HRM as a process consists of four functions as given below.

- (i) **Acquisition** includes estimating demand and supply of labour, recruitment, selection and socialisation of employees.
- (ii) **Development** has three dimensions, i.e., training, development and career development.
- (iii) **Motivation** should consider needs of each individual and includes both financial and non-financial benefits.
- (iv) **Maintenance function** is concerned with providing working conditions that employees believe are necessary to maintain their commitment to the organisation.

● FEATURES OF HRM

1. **Management of people:** HRM is concerned with management of all categories of employees, i.e., unionized and non-unionized people in an organisation. It applies to employees working in all types of organisations including Government and private sector. Further, it is applicable to all levels of management, i.e., from top level to lower level of management.

2. **Concerned with the 'people' dimension in management:** It deals with human resource and is concerned with employees both as individuals as well as a group. HRM is responsible for ensuring that all employees work together as a team for achievement of the goals of the organisation.
3. **Manpower planning:** HR should take the organisation forward and therefore, it has to consider the present and future manpower requirements based on the business plan of the organisation.
4. **Integral part of the general management function:** Human resources management involves all managerial decisions, policies and practices that influence human resources directly. HR is responsible for selecting the right person for the right job and develop an organisation culture that contributes to professional well-being of employees.
5. **Employee Development:** Development of human resources is needed by an organisation if it wants to succeed in the fast changing business environment. The competency of human resources can be enhanced by training and development.
6. **Continuous process:** The organisation is composed of people who come from different walks of life and who are different in their outlook and understanding. Therefore, personnel problems continue to exist and HR has to play a major role in solving these problems. Recruitment, selection, training and replacement of employees are continuous activities especially in a growing organisation.
7. **Co-operation of the people:** Effective use of materials, machines, equipment and money requires co-operation of all employees in the organisation. Technical competence will not be sufficient if subordinates do not co-operate. Winning the co-operation of employees is one of the major challenges faced by management. HR contributes for development of an organisation culture where teamwork and collaboration among employees are strong and facilitates growth of the organisation. In order to achieve organisation objectives, HR has to coordinate with other functions such as marketing, finance, manufacturing in planning manpower requirements, recruitment, selection, training, compensation and motivation of employees.
8. **Employee motivation:** The primary task of the management is that of maintaining an organisation that functions willingly and effectively. Performance depends upon (a) ability to work and (b) willingness to work, i.e., motivation. HR aims at motivating employees so that they become dynamic contributors to the organisational goals.
9. **Long-term benefits:** HRM aims to provide long-term benefits to employees, organisation and the society. Example: Career growth and financial benefits to employees, growth and development of the organisation and welfare of the society.
10. **Multidisciplinary approach:** HRM makes use of various disciplines like psychology, sociology, philosophy, and economics for improving individual, group and organisational effectiveness.

● IMPORTANCE/SIGNIFICANCE OF HUMAN RESOURCE MANAGEMENT

In a fast changing business environment, organisations can succeed only through the efforts of competent employees. Therefore, HR has to develop the competency of the individual employee, develop team spirit and obtain necessary co-operation from employees to achieve organisational goals. There are three broad areas, i.e., Social, Professional and Individual enterprise that deals with the importance of HRM and the details are given below.

1. Social: Effective human resource management could serve the goals of our society by satisfying the social needs of the employees and this can be achieved by taking the following initiatives:

- (a) Maintaining a balance between jobs available and the job-seekers according to qualification, experience and the needs of the organisation.
- (b) Providing suitable employment which might give them psychological satisfaction.
- (c) Paying the employee a reasonable compensation in proportion to the industry wages and contribution made by him.
- (e) By helping people to make decisions that are in their own interest.
- (d) Eliminating waste/improper proper use of human resources.

2. Professional: Provide a healthy and congenial working environment that promote individual brilliance as well as teamwork among the employees and this can be achieved by:

- (a) Maintaining the dignity of the employees as “human beings”
- (b) Giving maximum opportunities for personal development.
- (c) Providing healthy relationship between different work groups so that work is effectively performed.
- (d) Developing the knowledge, skills and attitudes of employees.
- (e) Correcting the errors of wrong postings and improper reallocation of work.

3. Individual: HRM is important for achieving the objectives of individual enterprise. Trained and motivated employees help the organisation to achieve its short-term and long-term goals. This is possible by:

- (a) Developing right attitude among the employees and
- (b) Effectively utilising the available human resources and securing willing co-operation of the employees for achieving the goals of the enterprise and fulfilling their own social and other psychological needs.

● OBJECTIVES OF HUMAN RESOURCE MANAGEMENT

1. To assess manpower requirements and ensure placement of the right man on the right job.
2. To develop knowledge, skills and attitude of employees in relation to their present and future role.
3. To provide, create, utilise and motivate-employees to accomplish organisational goals.

4. To maintain excellent working relationships among all the employees in the organisation so that they feel a sense of involvement, commitment and loyalty towards the organisation. It is necessary to finalise individual job responsibilities for employees to avoid confusion and too much overlapping of work.
5. To develop better interpersonal and employer-employee relationship in the organisation.
6. To maintain high morale, encourage value system and create environment of trust among employees.
7. To create a sense of belongingness and team spirit among employees and encourage suggestions from them.
8. Continuous renewal of individual capabilities to keep pace with technological changes and to avoid manpower obsolescence.
9. To identify and satisfy the needs of the employees by offering various financial and non-financial incentives in addition to the welfare facilities.
10. To integrate employee-management interests and maintain good industrial relations to achieve individual and organisational objectives.

● FUNCTIONS OF HUMAN RESOURCE MANAGEMENT

HRM is the planning, organising, directing and controlling the operative functions of procurement, development, compensation, integration and maintenance of human resources of an organisation for the purpose of contributing towards the organisation's objectives. The HR function can be divided into two parts, i.e., Managerial and Operative functions as shown below.

Functions of HRM

<i>Managerial Functions</i>	<i>Operative Functions</i>
1. Planning	1. Procurement of personnel
2. Organising	2. Development of personnel
3. Directing	3. Motivation and maintenance
4. Controlling	4. Employee compensation
	5. Employee benefits
	6. Record keeping
	7. Personnel research and audit
	8. Industrial relations

A. Managerial Functions

1. **Planning** includes forecasting manpower requirements, employee turnover, planning for selection, training programme, performance appraisal, increment, promotion etc.
2. **Organising.** Management involves getting things done through and with people. Organising involves finalising major activities that are necessary, grouping them into homogeneous units and allotting those activities to individuals or group of individuals and establishing interrelationship within the organisation.

3. **Directing includes** issuing instructions to employees, developing communication network, interpretations of industrial laws and integration of employees.
4. **Controlling.** Creating basic data for establishing performance standards, job analysis, performance appraisals are the methods used for effective control of employees.

B. Operative Functions

1. **Procurement of personnel:** Acquiring human resource is an important function of human resource management. Quality and prestige of the organisation depends upon the employee of the organisation. It deals with determination of manpower requirements, recruitment, selection, placement and induction.
2. **Development:** With the help of acquired knowledge and skills, a person can improve his performance in the organisation. Also framing policies with regard to promotion, increment, performance appraisal are required for development of people in an organisation.
3. **Motivation and maintenance:** An employee may be physically, mentally and technically fit but he may not be willing to work. Motivation depends upon factors such as one's own needs, personality, personal policies, reward mechanism and career opportunities. The maintenance function is concerned with providing those conditions that are necessary to maintain employee commitment to the organisation. **Example:** Health and safety measures, welfare facilities, etc.
4. **Employee compensation:** Means determination of adequate and equitable remuneration for employees for their contribution to the organisation goals. Payment of fair wages/salary is an important motivating factor for the employees. A suitable rewards and benefits system increase the morale of the employees and improvement in the performance. Productivity linked compensation is the order of the day. However, it is a challenging job to determine monetary compensation of employees.
5. **Employee benefits:** Many companies provide benefits such as pension scheme, contributory PF, reimbursement of medical expenses, educational assistance, health insurance, transport and canteen facilities, etc., to employees.
6. **Record keeping** is an important function of HR manager. HR manager collects and maintains information about employees and it assists the management in taking decisions on promotion, job rotation, performance incentive etc.
7. **Personnel research and audit:** This area is concerned with detailed studies on organisation's personnel programme such as recruitment, selection development and utilisation of human resources, data related to wages, grievances, labour turnover, absenteeism, surveys on employee morale, attitude and satisfaction.
8. **Industrial relations** include all activities of employer-employee relationship such as trade union, negotiation of contracts, collective bargaining, grievance handling, disciplinary action, arbitration, etc., all aimed at preventing conflict between the two participants.

● SCOPE/AREAS COVERED BY HUMAN RESOURCE MANAGEMENT

HR management is an integral part of business management and includes all aspects of manpower employed in an organisation. The scope of HRM is very vast and includes activities and functions designed and implemented to maximise organisation as well as employees' effectiveness. Areas covered under HRM are given below.

1. Human Resource Planning
2. Organisation/job design, job analysis
3. Recruitment, selection
4. Training and development
5. Human Resource Information System (HRIS)
6. Compensation/benefits
7. Employee assistance (personal problem solving and counselling)
8. Union and labour relations.

● ROLE AND FUNCTIONS OF HUMAN RESOURCE MANAGER IN BANKING AND INSURANCE SECTOR

The bank collects money from people who have it and provides money to those who need it. Thus, bank performs two important functions, i.e., accepting deposits and lending of such deposits. Insurance companies have to manage various types of risks. The development of communication and information technology has opened new avenues in banking and insurance sector. Service organisations like banks and insurance companies are trying to use information technology to improve customer service. **Examples:** Internet banking, ATMs, mobile phone banking and online insurance. However, all services cannot be carried out with machines. Machines can respond only in the way they are programmed, but employees can be trained to deal with difficult customers and challenging situations. Further banks and insurance companies have to manage money and risks and this requires skilled human resource. Globalisation has raised customer expectations and they expect high quality service at reduced cost. Machine, materials, money, market and methods have to be integrated by competent employees in an organisation. HR manager plays a key role in planning, organising, directing and controlling human resources for the purpose of achieving the objectives of the organisation.

Role of Human Resource Manager

HR manager plays different roles while dealing with employees on HR policies and procedures. The role played by him depends upon the situation prevailing in the organisation. A few examples are given below.

1. **HR Role:** He advises management on HR policies and procedures and effective management of human resources. He is responsible for manpower planning, recruitment, selection, development and performance measurement of employees.

2. **Welfare Role:** Advice and assistance in areas such as working conditions, recreation, welfare amenities, co-operative society, housing, transport and canteen.
3. **Administrative Role** includes salary and wage administration and maintenance of records.
4. **Legal Role:** Handling of grievances, settlement of disputes, disciplinary and legal matters, collective bargaining etc.
5. **Change Agent:** One of the important challenges of globalisation and liberalisation is the need to increase the ability of the organisation to compete in the global business environment. He works as a change agent and convinces the top management of the need for starting organisational development programmes.
6. **Counsellor:** He plays the role of a counsellor while dealing with employee problems related to health, career growth, interpersonal relationship, etc.
7. **As a Trainer,** he conducts classes for the employees during training programmes.
8. **Problem Solver:** HR manager also acts as a problem solver with respect to issues that involve human resources.
9. **Mediator/Peacemaker** to settle disputes among employees as well as groups.
10. **Evaluator:** Identifying the impact of an intervention on individual and organisational effectiveness.

Functions of Human Resource Manager

1. Manpower planning: The organisation may have a good image, high quality products and advanced technology, but it will succeed only if has talented people working in the organisation. Service organisations have to attract, select, train and develop people. Insurance companies compete with other sectors in the financial services arena, such as banking and securities, for recruitment of fresh graduates and experienced people to meet present and future needs. The companies face talent crunch, mounting attrition rate and difficulty in retaining good performers: Insurance companies have to face the challenge of poaching of talented employees by rival companies and rising employee turnover rate.

Banking needs a large number of people and there are retirements too. Manpower plans should follow a life cycle approach, that is, from the time of recruitment of an employee to his retirement. Further, this needs to be integrated with the Business Plan and Strategy of the bank. Banks will have to plan for recruitment programme, continuous skill upgradation and integration of new generation of the workforce with older generation.

It is the prime function of HR manager to estimate the exact quantity and type of employees required to meet the present and future needs. He has to ensure that the organisation has the right number and types of people at the right places, at the right time, doing the right job for the benefit of the individual and the organisation.

2. Determining and designing need based training programmes: Due to changes in business environment and technological developments, management requires skilled people to work in office and field. The front line service personnel working in office have to deal with various types of customers, i.e., polite and patient, argumentative and abusive. The bank personnel have to maintain their patience and deal with them in a courteous manner. In banking sector, the level of interaction between customer and service staff is relatively high and it lasts for a long time. Service organisation

such as bank cannot achieve customer satisfaction without first gaining employee satisfaction. There is a need to provide training to front line staff so that they are successful in dealing with customers.

HR plays a critical role with respect to the development of a company's sales force. An assertive, outgoing personality is important for insurance sales personnel and they have to be trained in the features and benefits of the products they sell and selling techniques.

Agents work on behalf of the company and act as connection link between the company and the customer. The agents play a major role in selling policies by building up good relations with customers. The agents work under the guidance of the development officer and they understand the needs of the customers and sell right type of policies for the right amount. The development officers are also involved in recruitment, selection, training of agents. They activate the existing agents and motivate the new recruits. LIC agents sell various products and offer personalised services to the customers. They are paid commission based on the value of the business generated. HR has to take initiative in determining and designing appropriate training programmes for agents and officers on products, customer expectations, customer relations, selling techniques and regulatory compliance.

Technology plays a major role in an insurance company's operations, from the development of the databases used in actuarial calculations to the creation of marketing tools. In each company, HR must work closely with the information technology function to identify the specific skills incoming personnel must possess to be able to make significant contributions from their first day.

3. Employee motivation: The performance of an employee depends upon ability and willingness to work, i.e., motivation. Customers support the firms that provide good service and therefore, companies' must have motivated employees who are focused on serving the customers. An atmosphere of customer service must be created and nurtured among the employees in the organisation. Internal employees are to be trained on products, customer service, complaint handling, etc., to enable them to deliver high quality service as promised by external selling to customers. There is a need for training front office employees. If the customer is not treated properly, the efforts made by the salesperson in building relationship with the customer would be wasted. Example: The front line employees in working in the office must be polite, considerate and respectful and show genuine concern for the customers. Only happy employees can keep the customers happy.

4. Personnel compensation: The most common elements of compensation are basic salary, DA HRA/HRS, conveyance allowance, special allowance, reimbursements, annual benefits and retiral benefits. While employees are aspiring for higher and higher wages, management wants to control personnel costs. During the last few years the concept of '**Pay for Performance**', i.e., performance related pay, cafeteria means of compensating employees, profit sharing and stock options are becoming popular in industries. Therefore, HR has to keep updated with the trends in employee compensation and suggest most appropriate remuneration package that is within the financial reach of the organisation and at the same time motivate the employees to perform better.

5. Managing workforce diversity: Today's workforce consists of people with differences in age, education, experience, knowledge, skills and aspirations. The veterans who have several years of experience and have strong work ethics, the middle aged who are loyal to the employer and are comfortable working in a stable environment and the younger generation who are ambitious, well informed and need freedom and flexibility. Experienced people can provide advice arising out of years of work experience and the new generation is hasty and brings in the new ideas and smart way of working. Further (stagnant) employees are a serious concern for the organisation. Such employees feel

that they have been working in the organisation for several years and they have nothing more to learn, achieve or contribute in their professional career. This situation may arise due to various factors — boredom of doing routine work for several years, comfort zone, complacency or the employee is highly proficient in his job and the managers do not want to shift him to another job. However, the reason for plateauing may vary from employee to employee. HR manager has to discuss with the employee and reporting manager and prepare a time-bound development programme and monitor the progress shown by the employee. Different generations have different opinions and expectations and it is a challenge to handle the diverse group at the same time.

6. Employee evaluation: An organisation has to constantly take stock of its workforce by (a) assessing its performance in existing jobs, (b) improve organisational performance by improving contribution of an individual employee and (c) identify potential employees to fill up vacancies at higher level in the organisation.

7. Industrial relations: Industrial peace is a legitimate objective for an organisation. The willingness and co-operation of all the people who work in an organisation would be forthcoming only if good industrial relations exist between the management and union.

8. Provision of employee services: Attention to mental and physical well-being of employees.

9. Dealing with trade unions: The employees feel that they can have a stable job by becoming a member of the union and it is possible to get better working conditions, redressal of grievances, etc. through union. However job security, lack of accountability and political support lead to complacency among employees and poor customer service in banking and insurance sectors. Management wants loyalty, commitment, low personal cost and increased productivity of employees. HR has to ensure satisfactory achievement of the objectives of the organisation and employees' union.

10. Regulatory compliance: This is an issue primarily confronting an insurance company's legal and product development departments. HR departments must continuously train managers, especially in the field, in a broad range of regulatory issues and supervisory issues related to the sales agents.

Qualities of Human Resource Manager

HR manager should possess the following qualities, apart from a thorough knowledge of the various aspects of the job gained through formal education and experience.

- 1. Interpersonal skills:** The person should possess excellent interpersonal skills to understand others. This will enable him to coordinate the activities with other departments in the organisation. He will receive co-operation from people only if he understands the mind of others.
- 2. Emotional maturity:** He has to maintain mental balance even under disturbed conditions. One or two failures should not frustrate him. He sets personal example of self-discipline and maturity in decision making.
- 3. Effective communication:** He should be a good communicator and should be able to communicate his thoughts, ideas or plans to the people in a simple manner and avoid confusion in the mind of the people. He should be able to give orders and instructions, which will be easily understood by his associates.

4. **Good listener:** He should be able to give a patient hearing whenever employees approach him with their problems. He should ask for clarifications, thoroughly understand the problem and the situation before giving his decision.
5. **Problem solving techniques:** He should know as to how to solve the problems and should have the ability to inspire, motivate and direct employees. He should take an unbiased approach while dealing with employee problems.
6. **Initiative:** HR is a developmental function and the manager has to take initiative while performing his job. He may have to take pro-active steps for doing the right thing at the right time.
7. **Personal integrity** so that employee may repose confidence in him and mutual trust and acceptability among his colleagues.
8. **Discriminating skills:** He should be able to discriminate between right and wrong, just and unjust and merit and demerit.
9. **Accessible to the people:** He should have high level of concern for people as well as for task. He should create an atmosphere wherein people should be able to freely express their problems without inhibitions. Normally, the manager sits in his cabin and expects people to come and meet him for discussions. Another method would be to go around the office/factory and talk to people in an informal way during and after office hours. This will enable him to know the pulse of the people and get a first hand information of what is going on in the office or factory.
10. **Knowledge worker approach:** HR manager has to move away from industrial age approach where people are controlled and managed and move towards the knowledge worker approach where people are considered as assets. If people are treated with respect and fairness and they are empowered, they will contribute to the growth of the organisation.

● HRM MANUAL

HRM Policy

HRM policy is concerned with human resources in the organisation. It means manmade rules, procedures, practices. Policies provide a clear idea of company rules and regulations for the benefits of employees and it defines the strategy of the management. Policies helps to avoid confusion, misunderstanding and bias in employee related decisions.

According to **Edwin B. Flippo**, “A policy is a man-made rule or predetermined course of action that is established to guide the performance of work towards the organisation objectives. It is a type of standing plan that serves to guide subordinate in the execution of their tasks”.

According to **Koontz, Donnel and Wehrich**, “Policies are the general statements of understandings which guide or channel thinking and action in decision making. They limit the area within which decision is to be made and ensure that decision will be consistent with and contribute to objectives”.

Features of HRM Policies

1. **The scope of personnel policy** is very vast and it includes policies and procedure with regard to organisation goals, role of personnel department, human resource planning, recruitment, selection, terms and conditions of employment, training, compensation, grievance redressal, employee participation, safety and health, compliance of various labour laws, etc.
2. **Helps in decision making:** Well drafted policies bring uniformity and consistency in various decisions related to employees. It removes the chances of *ad hoc* decisions. Personnel policy contains dos and don'ts regarding all personnel matters and therefore, it helps in timely decision making.
3. **Environment changes and flexibility:** Personnel policies and practices may require modification depending upon internal and external changes and it has to be flexible.
4. **Guidance to managers:** Personnel policy provides necessary guidance to managers for clarifying queries from employees regarding their rights and privileges. The policy provides guidelines for deciding a course of action for achievement of objectives.
5. **Delegation.** Policies are guidelines for delegated decision making and ensure consistency and uniformity in managerial decisions.
6. **Guidance to employees.** It provides valuable information on terms and conditions of employment, rights and privileges and answers to routine and recurring problems.

HRM Manual

Practically, all the organisations have policies and procedure to guide the managers and employees in effectively discharging their responsibilities duties. Procedure is a systematic way of doing the work. It shows the steps to be followed in carrying out certain kind of work. There are many ways of communicating the policies and procedures to employees, examples, circulars, house journals, intranet and documented policy manuals. Personnel policy manual is a document that contains detailed explanations on personnel policies and procedures of an organisation. It is comprehensive document which serves as a guide in decision making process.

Purposes of HRM Manual

1. **Professional approach to personnel management:** A well prepared personnel manual provides a systematic approach to administering company policies in a fair and consistent manner.
2. **Written document:** It is a written document and the managers can refer to the manual for answering queries of the employees regarding employment terms and conditions of service.
3. **Training material:** Personnel manual can be used during training programme to explain personnel policies and procedures to employees.
4. **Avoids favouritism and discrimination:** The policy is uniformly applicable to all the employees in the organisation without any discrimination. The manager cannot come out with his own interpretation to favour any particular employee. The employees are assured of fair and unbiased decision on all personnel matters.

Contents of HRM Policy Manual

The manual contains policies, procedures and practices with regard to the following areas of personnel management.

1. Company vision and mission statements
2. Code of conduct
3. Personnel philosophy
4. Role of personnel department
5. Objective of personnel manual
6. Authority of the personnel manual
7. Organisation structure
8. Human resources planning
9. Recruitment and selection
10. Induction and placement
11. Learning, training and development
12. Performance management
13. Employee service rules
14. Employee compensation
15. Employee benefits
16. Retirement benefits
17. Promotion, transfer, separation
18. Employee welfare
19. Safety, health and ecology
20. Grievance redressal
21. Disciplinary action
22. Employee participation
23. Trade union
24. Employee communication
25. Compliance of laws

The above list is not exhaustive and new policies, procedures and practices are included depending upon the requirement.

Guidelines for HRM Policy Formation and Preparation of HRM Policy Manual

1. HRM policies are influenced by many factors such as technological developments, competition, attitude of the labour, Government regulations, management philosophy, etc., and these factors have to be considered.
2. The policies should be flexible to cope with changes in business environment.
3. The HR Manager is responsible for the preparation of the personnel policy manual. It involves lengthy procedure and therefore it is a time-consuming job.

4. A committee consisting of HR manager and senior managers from different departments should be formed for gathering information and preparing the draft policy.
5. The HR manager should lead the discussions; take suggestions and recommendation from them on each and every aspect of the personnel policy.
6. While preparing the draft policy, the committee should also consider existing practices in the company
7. The draft policy should cover all aspects of HRM and should meet the requirements of the organisation. It should be written in a simple language for the benefit of the employees. While preparing the policy on employee terms and conditions of service, financial implications of the policy (employee compensation and benefits, travel, etc.) should be considered.
8. The draft policy should be circulated to the top management/members of the managing committee for their comments and suggestions.
9. The committee should consider all comments and suggestions and revise the draft policy.
10. The final copy incorporating all relevant points should be submitted to the management for approval.
11. Once it is approved, additional copies of the manual (book form/loose leaf form in a file) could be made for circulation. Normally, the policies are updated once in three years. However, amendments can be made based on requirements.
12. The IT department can provide necessary support so that employees can access general policies, procedures and practices through intranet also.

● STUDY QUESTIONS

1. Define HRM. Write about the role and responsibilities of HR functions in insurance and banking sectors.
2. What are the qualities of an HR manager?
3. What is Human Resource Management? What are its objectives and functions?
4. Explain the operative functions of HR manager.
5. **Write short notes on the following:**
 - (i) Role of HR manager as a specialist
 - (ii) Personnel manual
 - (iii) Workforce diversity
 - (iv) HR policy
6. **Choose the right answer from the options given below:**
 - (i) The responsibility for human resource management lies with _____.
 - (a) All managers
 - (b) HR manager
 - (c) Management of the company
 - (d) All the above
 - (ii) Managerial functions of HRM include _____.
 - (a) Planning
 - (b) Organising
 - (c) Directing
 - (d) Controlling
 - (e) All the above

- (iii) Industrial relations include _____.
- (a) Collective bargaining (b) Disciplinary action
(c) Trade union (d) All the above
- (iv) Human Resource Management is concerned with _____.
- (a) Managers (b) Labourers
(c) Executives (d) All the above

Answers: (i) (d), (ii) (e), (iii) (d), (iv) (d).

7. State True or False

- (i) Human resource management is a continuous process.
(ii) All managers are responsible for human resource management.
(iii) HRM follows a multidisciplinary approach.
(iv) HR manager plays the role of a change agent.
(v) Dealing with trade union is a challenging job.
(vi) HRM is applicable only to commercial organisations.

Answers: (i) True, (ii) True, (iii) True, (iv) True, (v) True, (vi) False.

8. Match the following:

Column A	Column B
(i) Human resources	(a) Career plan
(ii) Planning function of HRM	(b) Policies and procedures
(iii) Employee benefits	(c) Change agent
(iv) Counsellor	(d) Pension scheme
(v) HRM manual	(e) Forecasting manpower requirements
(vi) HR manager	(f) Assets

Answers: (i) (f), (ii) (e), (iii) (d), (iv) (a), (v) (b), (vi) (c).

