UNIT-3

TRAINING

It is crucial for organisations to preserve their human resources by giving them the necessary job-related training in this knowledge-based era, where human resources are valued more than physical assets. The training process should be continuous and should impart required knowledge to the employees otherwise employees may try to learn the job by trial and error which may prove very costly. Training enhances the efficacy of individuals working for an organisation, helps to shape one's personality, and strengthens management and interpersonal abilities. It helps in updating knowledge and technical skills relevant to his or her job. Training helps employees learn more about their current position and gets them ready for positions at a higher level. Training can be defined as, "a continuous process of learning that enhances performance of employees by providing them with required resources of knowledge for the job".

TRAINING PROCESS

1. **Needs Assessment**
   It is the first process and involves identifying the organization's skill gaps and determining the training needs of employees. It is crucial in determining the training and development goals that align with the organization's overall strategy.
2. **Design and Development**
   It is the second process and is concerned with designing the training program to meet identified needs and aligning them with the organization's strategic objectives. The design process comprises developing learning goals, selecting appropriate training methods, creating training materials, and developing a training schedule. The training program focuses on understanding individual learning styles and preferences and customizing them to meet specific needs.
3. **Delivery**
   It is the third process and comprises implementing training programs through various training methods like classroom training, online training, on-the-job training, and coaching. It should focus on resource availability, appropriate workforce size, and employees' individual learning preferences.
4. **Evaluation**
   It is the fourth process and usually evaluates the effectiveness of the training program. Methods may include surveys, assessments, performance metrics, and focus groups. It highlights the areas of improvement. An effective evaluation process can help companies measure training programs' success and make future improvements.
5. **Follow-Up**
   The final training and development process involves reinforcing the training concepts and their practical application in daily work. It comprises ongoing coaching, refresher training, and feedback sessions to monitor progress and ensure meeting the organization's expectations. Efficient follow-up helps employees retain the learned knowledge and skills and their practical application. Well- executed training and development programs help organizations improve employee performance and productivity.

METHODS OF TRAINING

On-The-Job-Training

This type of training as the name suggests is imparted at the workplace where employees are expected to deliver and fulfill job commitments. It makes it possible for the employee to get training at the same workspace, with same tools, supplies and resources that they would eventually use at work.

(a) Job Rotation
This kind of training involves movement of trainee from one job to another in an organisation. It gives general understanding of the organisation's working and its functions. It improves the trainee's learning and aids in understanding various job duties

(b) **Coaching**
One-on-one instruction from a supervisor regarding the overall operation of the company is known as coaching.

The supervisor tries to answer all the questions which are essential for the employees to know and gives them better understanding about the job and overall goals of the company

(c) **Internship**
Under this method, theoretical and practical knowledge is provided to the trainees. They learn all the required skills for the job during this training. The period ranges from 3 to 6 months which is expected to be completed by the trainee to join the company as an employee in future.

(d) **Job Instruction Training**
This is also known as step-by-step training process. It involves all necessary steps in the job and in proper sequence which needs to be performed for the job. A trainer or supervisor acts as a coach. The trainee is provided with the overview of job and what has to be done. The trainer demonstrates the right way to do the job. The trainee then performs the job according to the instructions given by the supervisor/trainer and if he/she incurs any mistake, it is corrected immediately. The trainer keeps a follow-up on the trainee after the training is completed to avoid any mistakes and faults.

(e) **Apprenticeship**
Apprentices are the ones who learn about certain skills by spending time with the experienced supervisor, coach or trainer. The apprentice learns by observing the work done by craftsmen.

Off-The-Job Training

Under this method, trainee is separated from the work location and entirely focuses on learning about the job. The training is completely different from the actual job work and is focused on providing knowledge to the trainee about the materials and ways of doing job efficiently.

(a) **Lectures**
Lectures is one of the most simplest and traditional way of providing knowledge to the trainee. When it comes to learning about facts, principles, problem-solving skills, theories and attitude, this method of training is very useful.

(b) **Conferences**
To avoid the limitations of lecture method, usually organisations opt for conference method of training. It involves direct discussion among the trainees on a particular problem and topic

(c) **Vestibule Training**
In this method, actual work conditions are replicated and all the materials that are used in actual job are used in the training. Theoretical knowledge is carried out in practical to equip the trainees with all the required skills for the job.

(d) **Case Study**
It is believed that managerial skills can be attained by learning about the problems that a company faces and finding solutions. A case is a set of data or summary that describes about a problem in written form and is provided to trainee to examine and find appropriate solution for it.

MANAGEMENT DEVELOPMENT

Management development is a process used to create effective managers. A manager is anyone who works between the executive and entry-level personnel within an organization and helps those people perform labor to ensure the company reaches its goals. Management development programs usually enable managers to enhance their existing skills, such as resolving conflicts and communicating with others.

Importance of Management Development is as follows:

- **More effective communication:** Management development can help new and existing managers learn better ways to connect with their coworkers and report to their supervisors.
- **Motivated team members:** This process can make managers more effective at empathizing with their team members and providing the motivation and incentive that teams need to succeed.
- **Cost-efficient leadership:** When an organization promotes managers from within the company, it can save itself the cost of hiring and training new managers.
- **Wide knowledge of company policies:** Providing management development for existing managers can keep everyone updated on company expectations, the workplace culture and any new policies.

- **Long-term management availability:** A company with a robust management development program can better ensure that it has knowledgeable and effective managers in the long term.

METHODS

1. **On the Job Methods:**
   These are the methods in which learning of executive's stakes place at the job place. These are time and cost saving techniques. On the job methods include the following:
   - **Coaching**: In this method, superior guides and trains the subordinates or trainees as a coach. The coach guides the trainees, reviews their performance time to time and suggests the changes required. This method works well if the coach and trainee are open with each other and there is an effective communication between them.
   - **Job Rotation**: Job rotation is a method in which a person is moved from one job to another on some pre-planned basis. There is a rotation of jobs until the trainee acquires knowledge about all related jobs. Job rotation method is usually designed for junior executives and it may take a period of six months to two years for one rotation to complete.
   - **Under Study**: In this method, one person is selected by supervisor and trained like his descendant. He is prepared to assume full time responsibilities of position presently held by supervisor. If the supervisor leaves the job or is on long absence due to illness, retirement, promotion or death, etc., then that trained person become available at the place of supervisor.
   - **Multiple Management**: In this method, a junior board of executives is made to learn the skills of Board of Directors (BOD). Major problems are analysed by junior board and recommendations given to BOD. This is beneficial to junior board of executives as they learn problem solving techniques and it benefits BOD as they get the valuable opinions of executives.
   - **Selected Readings**: In this method, development is through reading. Fluctuations are an integral part of business because business environment keeps changing. New and creative managerial techniques are also innovated in such environment. Managers can get knowledge about the latest developments in management world from selected professional books, journals, magazines, etc.
2. **Off the Job Methods**:
   In these methods, the development process is not carried at job location but somewhere outside the job area. Off the job methods include the following:
   - **Case Studies:** In this method, trainees are given a case in writing. Case here means a business problem or a situation which demands a solution. Trainees are directed to analyse the problem, find alternative courses of action, evaluate alternative courses and select most appropriate solution. The trainer sees the solution and guides regarding it and ensures that no relevant fact is missed.
   - **Conference Method:** A formal meeting conducted deliberately is called as conference. The participants discuss the topic, give their ideas. The conference can be divided into small sessions also. This method emphasises on interaction and participation of trainees. This method also helps to develop conceptual knowledge, modify attitude and is suitable for a group of 15-20 persons.
   - **Role Playing:** In this method, trainees are given the roles which they act on the stage. Role players act before the class. This is a realistic behaviour of imaginary situations. Roles are given for situations like hiring, firing, interviewing, grievance handling, disciplining a worker, presentation to clients or customers etc.
   - **Lectures:** Lectures are an easy method for development when number of trainees is large. It is cost effective and consumes less time. Lectures are formally organised talks in which instructor guides about specific topics.
   - **Group Discussion:** In this method, one topic of study is discussed by members of a group. Through this discussion, knowledge and communication skills of all group members improve. The topic is summarised by the chairman of group discussion.

PERFORMANCE MANAGEMENT SYSTEM

Performance management system tracks the performance of employees in a manner that is consistent and measurable. The system relies on a combination of technologies and methodologies to ensure people across the organisation are aligned with – and contributing to – the strategic objectives of the business. The system is collaborative, with managers and employees working together to set expectations, identify employee goals, define performance measurement, share employee performance reviews and appraisals, and provide feedback. When properly defined and consistently applied, a performance management system increases overall workforce productivity. Employees are more invested in their work and turnover is minimised while revenue per employee is maximised.

Purpose of Performance Management System

a. To facilitate HR practices and decision-making process.
b. Enabling the employees to compare their actual performance with the expected performance.
c. It helps the employees to improve their performance after thorough evaluation.
d. Creates a basis for performance appraisal, succession planning, strategic planning, promotion and compensation management.
e. Helps in promoting personal growth of employees and also improves their knowledge base

USES OF PERFORMANCE APPRAISAL

The key responsibility of managers is to evaluate the performance of employees. Performance appraisal is a powerful tool which helps in providing documented feedback to the employees about their actual performance. Performance appraisal is defined as a "process of evaluating performance of employees required for the given job and determine the scope of improvement"

Uses:

1. It helps in providing feedback in documented form to the employees and explains what exactly they are currently doing at their job.
2. If the performance is found to be below standard, the employee can be equipped with training and development programmes.
3. Performance appraisal helps management in identifying employees eligible for promotion.
4. It is a better means of deciding layoffs for the company.
5. The appraisal data helps in human resource planning. The management can determine the required personnel on the basis of current appraisal data.
6. Performance appraisal helps in deciding the compensation for employees on the basis of their performance and the requirements of the job.
7. It helps in distinguishing between effective and ineffective employees in the organisation.

PERFORMANCE MANAGEMENT METHODS

TRADITIONAL

- **Ranking Method**: This is the simplest method of performance appraisal. In this, ranks are assigned to employees on the basis of their performance. The top performer is usually ranked 1 and as the performance decreases, so does the rank. The limitation of this method is that it does not specify why a person is better.
- **Paired Comparison**: This is a better version of ranking method as each employee is compared with the other employees in the group taking one trait at a time. This helps in better comparison but is also a time-consuming process.
- **Forced Distribution Method**: In this method, a five-point performance scale is used to rank the employees according to their performance or any traits described by the employer. This helps in maintaining uniformity among the rate scale.
- **Checklist Method**: In this method, a checklist of traits and essential attributes required in an employee is prepared. The rater answers the questions in the form of Yes/No. The method helps in examining numerous traits at one time and the report is prepared for further evaluation. The biasedness of the employer/rater can be seen in this method and is a significant limitation.
- **Confidential Reports**: This is an old and traditional form of performance appraisal. In this, the report of an employee is prepared by the immediate supervisor describing about the strengths, weaknesses,

achievements and other behavioral attributes. This report is usually used for promotion and transfer purposes.

- **Essay Method**: In this method, rater has an opportunity to write about all the required information related to performance of an employee. He/she describes all the traits in an essay form. This is a simple and useful method of performance appraisal. The limitation of this method is that each rater may have different ways of expressing the thoughts in the essay which can be misleading or difficult to interpret.

MODERN

1. **Management by Objectives (MBO):** This method is based on objectives. The superiors and subordinates jointly identify common goals and decide the level of expected performance required to achieve the goals. During appraisal, the actual performance is compared with the expected performance. After comparison, corrective actions are taken to achieve the remaining goals. This method is applicable on managerial positions.
2. **360-Degree Performance Appraisal:** Usually the employer/superior examines the performance on the basis of its difficulty, the standards that are to be maintained and observes the employee at work. When the performance is evaluated by other stakeholders like customers, suppliers, team members, peers and self is known as 360-degree appraisal. The performance should be evaluated without being biased and should help in determining more important and less important employees.
3. **Assessment Centres:** These centres are places where the managers and employees come together and are examined on certain attributes that affect their performance. They are requested to participate in activities like work groups, computer assignments, role-playing and others. This helps in analyzing their behavioral factors which may arise while participating. Cost of such activities is high and may add to the budget of organisation.

FACTORS THAT DISTORT APPRAISAL

1. **Halo Effect**: This error arises when the rater gets influenced by one or two good traits of an employee and evaluates the complete performance on those traits. The rater's judgement at times may get influenced by the team and other informal group that he/she is associated with.
2. **Leniency Error**: The raters have their own way of evaluating performance against some standard performance. Because of this, it may lead to high or low ranking. This is called leniency error.
3. **Similarity Error**: Usually people tend to perceive and interpret behavior by projecting their own perceptions on others. For example, the rater believes in honesty, this will lead to this type of error as the rater may perceive that all the employees are honest.
4. **Constant Errors**: The raters tend to make mistakes as they evaluate a large pool of employees with different skill set and knowledge. The rater may rank high because he/she is habitual of doing so or vice versa.

CAREER PLANNING

Career is all the jobs that are held during one's working life. Planning of career merely does not bring success. Continuous improvement, better performance, learning, education and experience help in successful career. Career planning is the process of enhancing employee potential value by improving their skills through continuous learning. Career planning is the process by which one selects career goals and the path to these goals. The major focus of career planning is on assisting the employees achieve a better match between personal goals and the opportunities that are realistically available in the organization. Career planning is an ongoing process and is important for every employee in their work-life.

Every employee has a desire to grow and scale new heights in his workplace continuously. If there are enough opportunities, he can pursue his career goals and exploit his potential fully. He feels highly motivated when the organization shows him a clear path as to how he can meet his personal ambitions while trying to realize corporate goals.

The demands of employees are not matched with organizational needs, When recognition does not come in time for meritorious performance and a certain amount of confusion prevails in the minds of employees whether they are 'in' with a chance to grow or not, they look for greener pastures outside. Key executives leave in frustration and the organization suffers badly when turnover figures rise. So, the absence of a career plan is going to make a big difference to both the employees and the organization. Employees do not get right breaks at a right time; their morale will be low and they are always on their toes trying to find escape routes. Organizations are not going to benefit from high employee turnover. New employees mean additional selection and training costs. Organizations, therefore, try to put their career plans in place and educate employees about the opportunities that exist internally for talented people.

CAREER LIFE STAGES

- **Stage 1- Exploration:** Exploration refers to the stage before gaining permanent employment. Those in this stage may be finishing an undergraduate or graduate degree. This stage shapes the direction of your professional ambitions. A lot of choices an individual makes in terms of his career are much before he enters the workforce. He tries to understand his own needs and finds his identity. He sits in lot of examination tests to determine the best skills he possesses. This is the most unstable stage and the start of the career is from exploring one's own personality and skills.
- **Stage 2- Establishment:** The establishment stage includes your initial job search, applying for a job and accepting your first long-term position. You are likely to accept an entry-level or mid-level position with comparably minor responsibilities. This stage is start of finding the first job, being accepted by peers, learning the job and understanding about success or failure during the work. The individual tries to get promotion through continuous learning. The realities of your job replace the expectations from the exploration stage.
- **Stage 3- Maintenance/Mid-Career:** This stage may be characterized by either career stability and progression or a transition into a new profession or field. Many employees in this stage reach their peak levels of productivity and maintain a skill set specific to their role. These years will demonstrate your commitment to your work and solidify your position. By remaining dedicated to your current job, you can receive greater responsibility and the resulting rewards and recognition. You will likely expect progress at your job, such as a promotion or pay increase. If this does not occur, you may choose to reassess your role. In this stage, you may consider reevaluating your goals, interests and skills. Like many mid-career professionals, you may face the choice between achieving greater success in your current role or transitioning to a new position or an entirely new career.
- **Stage 4- Decline/Late-Career**: This is the last stage of career. The employee's performance starts to deteriorate and he is close to getting retirement. These individuals are asked to step out of their limelight and give up their career as they have served their time in their respective fields of work. Presuming that you progressed through the mid-career stage successfully, the late-career stage can be an opportunity for a less demanding work environment. Rather than learning or obtaining new skills, the late-stage employee can teach others and begin identifying and training a successor. You may have fewer opportunities for advancement, but you can enjoy tasks like mentoring younger employees. You will likely not have any job changes during this stage, relying on your reputation and good standing as security for your position. You can begin to envision what your life will look like after retirement and may spend less time working and more time doing activities you enjoy outside of work.

CAREER COMPENSATION

Key Components of Career Compensation

1. **Base Salary:**
    - The fixed amount of money paid to an employee for performing their job.
    - It is typically determined by the employee's job role, industry standards, and geographical location.
2. **Bonuses and Incentives**:
    - Performance-based pay that rewards employees for meeting or exceeding specific objectives.
    - Can be individual-based, team-based, or organizational.
3. **Benefits**:
    - Includes health insurance, retirement plans, paid time off, and other perks.
    - Non-monetary but essential for employee satisfaction and retention.
4. **Equity Compensation**:
    - Stock options, restricted stock units (RSUs), or other equity-based rewards.
    - Common in startups and tech companies to align employees' interests with the company's success.

5. **Non-Financial Rewards**:
    - Opportunities for career development, training, and professional growth.
    - Recognition programs, work-life balance initiatives, and a positive work environment.

Career Compensation Strategies in HRM

1. **Pay for Performance**:
    - Aligning compensation with performance metrics to incentivize high productivity and goal achievement.
    - Includes merit pay, bonuses, and other performance-based rewards.
2. **Market-Based Pay**:
    - Regularly benchmarking compensation packages against industry standards to remain competitive.
    - Ensures that the organization attracts and retains top talent.
3. **Internal Equity**:
    - Ensuring fair pay within the organization, where employees with similar roles and performance levels receive comparable compensation.
    - Prevents dissatisfaction and turnover due to perceived pay disparities.
4. **Total Rewards Approach**:
    - Combining financial and non-financial rewards to create a comprehensive compensation package.
    - A holistic approach that considers all aspects of employee well-being and motivation.
5. **Career Pathing and Development**:
    - Providing clear career progression paths and opportunities for advancement.
    - Integrates compensation with career planning, helping employees see the long-term benefits of staying with the company.

COMPENSATION

Compensation refers to any payment given by an employer to an employee during their period of employment. In return, the employee will provide their time, labor, and skills. This compensation can be in the form of a salary, wage, benefits, bonuses, paid leave, pension funds, and stock options, and more. Compensation is also an important tool for the employer as it is an important part of the cost of the product or the service it provides. Compensation may be viewed as: (a) A process of rewards that motivates employees to perform. (b) A tool through which an organisation attracts, retains employees and foster desired behaviour in the employees.

STEPS IN DETERMINING COMPENSATION

1. **Analyze & Evaluate the Job**
   The first step is to analyze the job in terms of the required skills, education, hierarchy, responsibility etc.
2. **Survey Wages & Salary**
   Companies do a thorough research of how much remuneration is paid to employees for a particular job role based on their education, skill, company requirements, competition benchmarking, government policies etc.
3. **Define Pay Grade Structure**
   For every job position and job level, the company must define the minimum and maximum wages that they would be willing to pay to employees.

4. **Finalize**
   Once the pay grade structures are defined, companies must finalize components like salary, bonuses, perks, additional benefits etc.
5. **Control & Revise**
   Compensation management is a continuous and reiterative process and needs constant monitoring and re-evaluation based on demand-supply, job market, competition, skill-sets required etc.

JOB EVALUATION

Job evaluations are a step-by-step process to determine how much money a position should earn. There are different methods of job evaluation, but the point of each method is determining the value the position brings to the company. This ensures the salary is equal to the work. The HR department performs job evaluations based on the role rather than on the employee who holds the position. This typically occurs when a company is new or adding additional roles.

The procedure of job evaluation includes the following:

1. **Scope of Job Evaluation:** The initial thing is to decide which jobs are to be assessed office staff, supervisory or managerial.
2. **Establish Purpose of Evaluation:** The purpose of job evaluation can be either to evaluate the integration of compensation of each job with its relative contributions to the organisation and helps to set salary structure of new or unique jobs or to align with strategy of the organisation. It can be conducted for reducing grievances or for motivating the employees.
3. **Choosing Single or Multiple Plans:** Different plans can be used for different categories of jobs hence may result in multiple plans of job evaluation within the same organisation. It is the decision of the organisation to choose single plan for all the types of jobs or to use multiple plans for different categories of jobs.
4. **Choose Among Alternative Approaches (Methods):** Three basic job evaluation approaches are:
   (i) **Job Ranking**: In this method all types of jobs are well arranged according to their worth. The most important job is given the highest rank while the least important job is given the lowest rank. This is the simplest and less time-consuming method.
   (ii) **Job Classification**: Also called as grading method. The jobs are divided into various classes/grades; the label of each class/ grade describes the category of jobs in particular class/grade. This process is also simple and less time-consuming.
   (iii) **Point Rating Method**: This method identifies the compensable factors for each job on the basis of job analysis. These factors are scaled and are given weightage according to importance. For example, the compensable factors of the job of a bookstore manager include: skills (mental & experience), efforts (physical & mental), responsibility and working conditions. These factors are scaled and assigned the weightage to ascertain the worth of the job.
   (iv) **Factor Comparison Method**: In these methods the comparable jobs with clear job description are selected. The factors to be used are identified, the choice of factors are much more limited than point rating method. The chosen jobs are then ranked successively by reference to each of the factors chosen. This method provides a more systematic comparison of jobs than the non-analytical methods (ranking and classification)
5. **Obtain Involvement of Relevant Stakeholders**: After the jobs are evaluated the results of the job evaluation are shared by all the stakeholders for consideration and designing of the compensation.
6. **Evaluate Plan's Usefulness**: The results of the evaluation are analysed in detail to ascertain the suitability of the method of job evaluation used.

COMPONENTS OF PAY STRUCTURE

There are two main types of compensation:

- Direct compensation (financial)
  Direct compensation is a financial (or monetary) form of compensation. Here are the four main types of direct compensation:
  - Hourly wages are often provided to unskilled, semi-skilled, temporary, part-time, or contract workers in exchange for their time and labor.
  - Annual salaries are typically provided to most full-time employees or skilled employees and those who fill management positions. A salary often indicates that the organization has invested in this employee for the long-term future.

    - Commission is a common form of compensation provided to employees in sales roles. It will usually be based on a predetermined quota or target.
    - Companies often offer bonuses to employees based on year-end business results or the individual meeting their set goals.
- Indirect compensation (financial & non-financial)
  Indirect compensation is still a financial form of compensation since it has a financial value. However, employees do not directly receive it in cash form. That's why certain types of indirect compensation are viewed as monetary, while others are deemed non-monetary.
    - Equity as part of a compensation package essentially means the employee is offered equity (ownership) in the company, either through shares of stock or the option to buy such shares
    - This form of compensation entitles employees to purchase a set number of shares at a fixed price after a certain period
    - Typical employee benefits usually include health insurance, life insurance, retirement plans, disability insurance, legal insurance, and pet insurance. Retirement funds and pension plans are also common benefits that employees look for when considering a new role at a new organization.

- Non-monetary compensation includes benefits like:

    - paid or non-paid time off
    - flexi-time
    - learning and development opportunities
    - parental leave
    - childcare
    - company cars
    - phones or laptops
    - meals

FACTORS INFLUENCING COMPENSATION LEVELS

1. **Organisation's Ability to Pay:** The organisations in their maturity phase having a good percentage of profits every year are able to pay good compensation to their employees as compared to organisations having less capital, are still in growing phase or are declining, they are unable to pay higher to its employees.
2. **Market Forces of Supply and Demand of Labour**: If the supply of labour is less but demand is more then the compensation of such labour will be high. If the demand is less and supply is higher then the compensation will be less. So higher wages are distributed if labour is scarce and lower wages are distributed if labour is in excess.
3. **Prevailing Market Rate**: An organisation while designing the compensation structure analyses the compensation for same positions in other similar organisations within the same industry. This is called "Going wage rate". Through this, the competitors pay relatively same wages and retain the employees.
4. **Cost of Living**: An increase in cost of living automatically increases the minimum wages.
5. **Bargaining Power of Trade Unions**: The compensation paid to the employees also depends on how strong the union of that organisation is. A strong union ensures the desired level of wages.
6. **Psychological and Social Factors**: These include fairness and equity in payment. The employees perceive that the compensation they receive is in return of their efforts, they compare the efforts with the payment; this payment is also a symbol of success for them.
7. **Managerial Attitudes**: If the top management wants to attract and hire best skilled resource available in the market, then the compensation will be high.

TRENDS IN COMPENSATION

1. **Broad Banding**: Broad banding is a compensation approach consolidating a range of similar job classifications into a single pay band. This encompasses a much broader range of compensation levels than traditional salary structures and results in reducing the number of pay grades. A broadband approach gives management a wider range and flexibility to pay employees.

2. **Knowledge, Skill and Competency-based Compensation (also called skill-based pay):** Knowledge is the information acquired by an employee while performing a job. Skill is the expertise acquired after doing a work repeatedly. Competency is ability and efforts required for a particular job. Organisations today are using knowledge, skill and competency-based compensation to enhance productivity of the organisation along with development of the employees. In knowledge-based compensation the employees are rewarded for increasing their knowledge related to work in any form like learning a new technique or increasing educational qualifications. In skillbased compensation, the employee is paid for skill enhancement and utilisation. In order to keep an employee motivated for self-development by increasing abilities, the organisations are opting for competency-based pay.
3. **Team-based Compensation:** Today, majority of the organisations encourage project-based/team-based work. The employees understand each other well through this culture of work and when they get compensation as a team, their motivation level is increased. But individual performance is de-motivated in team-based compensation.
4. **Equity-based Compensation:** In this type of compensation the employees of the organisation are offered shares of the organisation at a reasonable price. This motivates the employee, as it gives their representation in ownership of the organisation. It is non-cash payment to the employees and it ensures retention of employees.
5. **International Compensation:** With globalisation and the emergence of global corporate citizen, compensation strategy in the global environment has acquired increasing importance. Multinational companies today are standardizing the pay policy and strategy at the global level

INCENTIVES

Incentives can be generally classified as financial (monetary) incentives and non-financial (non-monetary) incentives.

Financial incentive pertains to those incentives which are in the form of money or can be measured in monetary terms. This is sometimes referred to as monetary benefit offered to consumers, employees, and organizations to encourage behaviour or actions which otherwise would not take place. Most common financial incentives are bonus, profit sharing, retirement benefit, commission, stock option.

Non-Financial Incentives are types of rewards that do not form part of an employee's pay or cannot be measured in terms of money. While the monetary and future security needs are important, the fulfilment of an individual's social, psychological, and emotional needs also plays an important role. It includes status, work climate, career advancement opportunity, job enrichment, job security, employee recognition program, employee participation and empowerment.

IMPORTANCE

- Help in making improvements of workflow, work methods and manmachine relationships.
- The efficient workers are given an opportunity to earn for their performance.
- Help in innovation and remove the problems in performing the work.
- Increases the motivation level of the employees, which reduces the requirement of supervision.
- Enhance mutual relationships and teamwork. Ultimately, they help in improving industrial relation

TYPES

1. **Individual Incentives:** These incentives are given to individual employee and these can be time-based or output-based. Time-based incentives are given to workers who are getting time rate-based wages, while the output-based incentives are distributed to employees who receive the wages based on output (Piece rate). The time-based plans are dependent on the standard time for doing the job. The output-based plans are dependent on a standard output.
   Time based Individual Incentive Plan
   a. **Halsey Plan:** It ensures a minimum time wage for each worker. The standard time for completing a job is fixed. If the job is completed in less than the standard time, then bonus is given. No deductions are there in the wages if the job is done in more than the fixed standard time. A worker who completes the work

before the fixed standard time is given bonus. This bonus given is calculated through 50 per cent of time saved. It is simple to understand both the worker and the employer get the benefit of time saved. The difficulty of this method is in setting the standard time, although the method is simple.

b. **Rowan Plan:** This method ensures minimum time wages and no wages are deducted of less efficient workers. Like Halsey method a fixed standard time for job completion is selected; if the worker completes the job before the fixed time, a bonus is given. This method is advantageous to both the employees and efficient workers. But this method is complicated for workers to understand.
c. **Emerson Plan**: This plan classifies the workers on the basis of efficiency. The workers whose efficiency is less than 66.67% are not provided bonus. Those workers who are 100% efficient are given 20% bonus, for every further 1% additional efficiency increase the bonus is increased by 1%. All the workers get wages based on time rate
d. **Bedeaux Plan**: It uses the unit of time as point B. A minute of allowed time for work is called as B (so 60Bs represents an hour). For every job there is standard number of Bs. The standard time for doing a job is expressed in terms of B. The bonus is 7 percent of the number of Bs earned by a worker apart from 60 per hour. Normal wages are given to workers who complete the work after or on standard time. Workers who complete the work before standard time are given bonus over and above the normal wages. Those who are able to complete their work earlier are paid bonus. One-fourth of the bonus is given to the foreman. This motivates the foreman but demotivates the workers

Output-based Individual Incentive Plans

a. **Taylor's Plan:** A differential piece rate is given. These piece rates are of two types—high efficiency workers are paid higher piece rate, i.e., 120% of piece rate while the low efficiency worker is paid less piece rate, i.e., 80% of piece rate. Thus, this plan does not ensure minimum guarantee wage.
b. **Merrick's Plan:** In this plan the workers are divided into three categories—(a) The workers who produce less than 83% of standard output are given just the basic piece rate; (b) The workers whose output varies from 83% to 100% of the standard output are given 110% of the basic piece rate; (c) The workers producing more than 110% of standard output are paid 120% of basic piece rate. In this plan also the minimum wage is not guaranteed.
c. **Gantt Plan**: In this plan a standard performance level output is defined. The worker who achieves it gets extra money in a range of 25% to 50% of the per hour rate of payment. If the worker completes the work in the standard time then only the wages are given

2. **Group Incentive Plans**
   a. **Priestman Plan:** Priestman's Plan is a group bonus plan that is based on the overall performance of the company. Under this plan, all employees are eligible to receive a bonus if the company meets or exceeds its financial goals. The amount of the bonus is determined by a formula that takes into account factors such as the company's profit, sales, and growth. Clear production targets are established for a specific period, group works collectively to achieve the set production targets during the designated period, If the group successfully meets or exceeds the production targets, a bonus is calculated based on the total production achieved. The bonus is distributed among all members of the group.
   b. **Scanlon Plan:** In this plan a committee is set up, which will ask for suggestions from the workers regarding how to improve the different ways of doing the work through which cost is also reduced, as well as time is saved. The overall effort is to increase the productivity of a plant/department. If there is increase in the sales of the manufacturer product as compared to the cost of the labour, then the workers are given incentives.
3. **Organisational Incentive Plans**
   a. **Profit-Sharing**: In this method a predetermined share in profit is promised. There is unity of interest and cooperation among all the employees.
   b. **Co-partnership**: Workers get salary plus dividend on the shares. Both the profit and loss are shared. Workers are co-owners so status of the workers increases. This is possible in organisations having shared capital.

BENEFITS

Benefits are the amount which an employee gets in compensation over and in addition to the basic compensation and the incentives. These benefits are aimed at attracting and retaining efficient and contented workforce through boosting up of their real earnings

TYPES

1. **Mandatory By-law and Voluntary Benefits:** The mandatory bylaw benefits include the different measures of social security and employee welfare like the Employees Provident Fund, Gratuity, Employee State Insurance, maternity benefits etc. provided by the government. While the voluntary benefits are over and above these benefits, it depends upon the willingness of employer to provide these.
2. **On the Basis of Accounting Treatment**: On the basis of accounting treatment, the fringe benefits are classified into following categories:
   (i) Payment for the time period in which worked, i.e., is overtime payment as well as the payment for increase in cost of living.
   (ii) Payments for time period in which not worked: Like paid holidays, maternity leave, supplemental unemployment benefits.
   (iii) Payment for other benefits: This includes the payment of Insurance and employee services.
3. **On the Basis of Certain Objectives:** Those benefits which provide job security like unemployment compensation, workman's compensation, insurance and retirement benefits. Those benefits which increase the job satisfaction of employees, in order to retain them or to improve their efficiency.
4. **Deferred Benefits and Immediate Benefits:** The benefits provided after a time period are pension, insurance, and sick pay. On the other hand, providing a vehicle for transportation to an employee is an example of immediate benefit.
5. **Benefits can also be classified as:**
   (i) Pay for time out worked.
   (ii) Insurance benefits: Compensation for injury, hospitalisation, health & disability insurance, life insurance.
   (iii) Social security and Pension plans.
   (iv) Employee welfare services within the organisation (Intramural) and outside the organisation (Extramural). Intramural includes toilets, creches, canteens, medical, recreation facilities etc. while the Extramural includes accommodation, transport, maternity benefits, child education, club etc

BRIEF INTRO TO SOCIAL SECURITY, HEALTH, RETIREMENT & OTHER BENEFITS

Benefits are integral part of compensation. One of the reasons to provide benefits is to ensure social security to the employees of an organisation. Social security is ensuring the safety of employees in the society against life problems, diseases, deprivation, or to all the risks to which they are exposed. The employees may not be able to cope with these contingencies through their limited means, hence the government provides safety to the citizens. There are schemes of social security for both the organised as well as unorganised sector. As per the ILO, social security refers to the "protection which society provides for its members through a series of public measures against the economic and social distress that otherwise would be caused by the stoppage or substantial reduction of earning resulting from sickness, maternity, employment injury, unemployment, old age and death".
The features of social security are:

(i) It protects from risk to those who have limited means.
(ii) In public policy of a welfare state like India, it constitutes an essential part.
(iii) Social and economic factors in a particular economy influence the social security measures adopted by that economy.
(iv) All social security measures are statutory in nature.

Health and retirement benefits are the major categories of benefits provided to the employees. Health benefits include:

(i) Mediclaim policy for the employees through which employees are provided monetary benefits for their health checkup, treatment of a disease or injury in accident;
(ii) Health insurance and
(iii) Free medical checkups.

Retirement benefits are offered to the employees when an employee attains a specified age or on completion of required number of years of service. These retirement benefits include the following:

(i) **Provident Fund:** It is the fund which is managed by Employee Provident Fund Organisation (EPFO) under the Employee Provident Fund Act, 1952. Provident Fund is the fund established through this Act. The objective of the Act was to secure the future of the employees after their retirement, and to cultivate a spirit of saving among the workers. Under this scheme the employer contributes a portion (12%) of the basic salary plus dearness allowance, an equivalent amount is deducted from the salary of the employee. An employee can however contribute more amount from salary to the provident fund. The total amount is deposited to EPFO.

(ii) **Gratuity**: It is the amount which is paid by an employer to an employee on retirement or if an employee is leaving the organisation after working in it for at least five years. It is a token of regard for employee's contribution towards the organisation. The legislation through which payment of gratuity is mandatory is the Payment of Gratuity Act, 1972. This Act is a social security measure which the government has undertaken to provide protection to the employees against the risk of old age. Through this Act a calculation of gratuity is done through the formula specified in the Act. This brings universality in the payment of gratuity. Other benefits include stock options, cash bonus, insurance, profit sharing, interest-free loans, expense account and membership of clubs, and perquisites (perks).