



MEASI
Institute of
Management

SEMESTER II

HUMAN RESOURCE MANAGEMENT (434C2B)

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UNIT 1: INTRODUCTION TO HUMAN RESOURCE MANAGEMENT

1.1 Concept & Meaning:

Human Resource Management (HRM) refers to the strategic and systematic approach to managing people working in an organization so that they contribute effectively and efficiently toward the achievement of organizational goals. It recognizes employees as the most valuable asset of an organization and focuses on aligning individual performance with organizational objectives. HRM is not limited to hiring people alone; it involves a continuous process of acquiring, developing, motivating, compensating, and retaining employees to ensure sustained organizational success.

HRM includes a wide range of functions such as recruitment and selection, training and development, performance management, compensation administration, employee engagement, industrial relations, and welfare activities. Recruitment ensures that the organization attracts suitable talent, while training and development enhance employee skills and competencies for both present and future roles. Performance management helps in assessing employee contributions and improving productivity through feedback and goal alignment. Compensation management ensures fair and competitive remuneration to motivate employees, while employee relations focus on maintaining harmony between management and workforce.

In modern organizations, HRM plays a strategic role by participating in business planning and decision-making. It ensures that human capital is effectively utilized to gain competitive advantage. Thus, HRM is not merely an administrative function but a vital business function that contributes directly to organizational growth, employee satisfaction, and long-term sustainability.

1.2 Importance of Human Resources:

Human resources are regarded as the backbone of any organization because they are the driving force behind the effective utilization of all other resources such as land, capital, machinery, and technology. While physical and financial resources remain passive, it is the human resource that activates, coordinates, and converts these inputs into productive outputs. Skilled, knowledgeable, and competent employees determine the quality of work, efficiency of operations, and the overall performance of the organization. Motivated and committed employees contribute higher levels of productivity by putting in discretionary effort beyond basic job requirements. Moreover, engaged employees bring creativity and innovation, helping organizations adapt to changing business environments, develop new products, improve services, and gain competitive advantage. Human resources also play a crucial role in building strong organizational culture, customer satisfaction, ethical practices, and long-term sustainability. Therefore, organizations that invest in the development, well-being, and engagement of their employees achieve superior performance and long-term success.

1.3 Objectives of HRM:

- Effective utilization of human resources
- Development of employee potential
- Maintaining a healthy work environment
- Achieving organizational goals

1. Effective Utilization of Human Resources

The effective utilization of human resources means making the best possible use of employees' skills, knowledge, abilities, and experience for organizational benefit. HRM ensures that the right person is placed in the right job according to their qualifications and competencies. Proper job allocation, work design, performance monitoring, and continuous improvement help

avoid wastage of talent and underutilization of manpower. When employees are used efficiently, organizational productivity increases, operational costs reduce, and overall performance improves.

2. Development of Employee Potential

One of the key objectives of HRM is to continuously develop employee potential through training, development programs, mentoring, coaching, and career development initiatives. Employees possess hidden talents and capabilities which, when properly nurtured, can contribute significantly to organizational growth. HRM focuses on skill enhancement, leadership development, and competency building so that employees are prepared for higher responsibilities and future roles. This also improves employee confidence, job satisfaction, and long-term career growth.

3. Maintaining a Healthy Work Environment

HRM plays a vital role in maintaining a healthy, safe, and positive work environment within the organization. This includes ensuring proper working conditions, safety measures, ethical practices, mutual trust between employees and management, open communication, and teamwork. A supportive work environment reduces stress, conflicts, absenteeism, and employee turnover. When employees feel respected, secure, and valued, their morale and commitment toward the organization increase significantly.

4. Achieving Organizational Goals

The ultimate objective of HRM is to help the organization achieve its short-term and long-term goals effectively and efficiently. HRM aligns individual goals with organizational objectives through proper manpower planning, performance management, motivation systems, compensation policies, and leadership development. When employees clearly understand their roles and are motivated to perform well, their efforts directly contribute to productivity, profitability, competitiveness, and sustainable growth of the organization.

1.4 QUALITIES OF AN HR MANAGER

An HR Manager plays a critical role in managing people and maintaining a healthy relationship between employees and management. To perform this role effectively, an HR manager must possess several essential qualities.

Leadership ability is one of the most important qualities of an HR manager. The HR manager must guide employees, motivate them, and influence their behavior toward organizational goals. A good HR leader builds trust and confidence among employees.

Effective communication skills are necessary for clearly conveying policies, procedures, expectations, and feedback. The HR manager acts as a link between management and employees; hence clear, transparent, and empathetic communication is essential.

Decision-making ability is required while handling recruitment, promotions, grievance redressal, conflict resolution, and disciplinary actions. HR decisions affect employee morale and organizational culture; therefore, they must be fair and unbiased.

Emotional intelligence and empathy help the HR manager understand the feelings, needs, and problems of employees. This builds strong interpersonal relationships and helps in effective conflict management.

Ethical conduct and integrity are critical because the HR manager handles confidential employee and organizational information. Fairness, honesty, and transparency strengthen employee trust.

Problem-solving and conflict-management skills help the HR manager resolve employee disputes and maintain industrial harmony within the organization.

1.5 EVOLUTION OF HRM IN INDIA

The evolution of Human Resource Management in India has passed through distinct stages based on economic, industrial, and social developments.

The **Clerical Personnel Management Stage (Pre-1920s)** focused mainly on maintaining employee records, attendance, wages, and compliance with basic labor laws. Employees were treated as a cost rather than as valuable assets.

The **Welfare Approach Stage (1920s–1940s)** emphasized employee welfare through better working conditions, housing, medical facilities, and safety measures. This phase was influenced by social reformers and trade unions.

The **Industrial Relations Stage (1940s–1970s)** gained importance with the growth of trade unions and industrialization. The focus was on resolving labor disputes, collective bargaining, and maintaining industrial peace.

The **Modern HRM Stage (1980s–1990s)** introduced scientific recruitment, performance appraisal, training, motivation, and compensation systems to improve productivity.

The **Strategic HRM Stage (2000 onwards)** views employees as human capital and focuses on aligning HR policies with business strategies for competitive advantage.

1.6 FUNCTIONS OF HRM

The functions of HRM are broadly divided into **Managerial Functions** and **Operative Functions**.

◆ Managerial Functions of HRM

Planning involves forecasting manpower requirements, skills needed, and future HR needs.

Organizing involves designing job structures, departments, and authority relationships.

Directing includes guiding, motivating, supervising, and leading employees towards organizational objectives.

Controlling ensures that HR activities such as recruitment, training, and performance appraisal are carried out as per plans.

1.7 Operative Functions of HRM

Recruitment and Selection ensure that suitable employees are hired based on job requirements.

Training and Development enhance employee skills, productivity, and career growth.

Compensation Management ensures fair wages, salaries, incentives, and benefits.

Performance Appraisal evaluates employee performance for promotions, increments, and development.

Employee Relations & Welfare maintain harmonious relations, safety, and well-being of employees.

1.8 STRATEGIC HRM

Strategic Human Resource Management refers to the process of aligning HR strategies with the overall business strategy of the organization. In Strategic HRM, employees are considered as strategic assets who can provide a competitive advantage through their skills, innovation, and commitment. Decisions related to recruitment, training, leadership development, and performance management are made based on long-term business objectives rather than short-term requirements.

1.9 HR POLICIES

HR policies are formal written guidelines that govern employment relationships in an organization. They ensure consistency, fairness, and transparency in decision-making related to recruitment, promotions, discipline, compensation, leave, training, and employee conduct. HR policies help avoid ambiguity and ensure uniform application of rules.

1.10 HR ACCOUNTING & HR AUDIT

HR Accounting refers to the process of measuring, recording, and reporting the cost and value of human resources in an organization. It helps management understand the return on investment made in employees through training, development, and compensation.

HR Audit is a systematic examination and evaluation of HR policies, procedures, practices, and systems to ensure legal compliance, efficiency, and effectiveness. It helps in improving HR performance and identifying gaps in HR practices.

1.11 GIG ECONOMY

The gig economy refers to a labor market system in which workers are engaged on a temporary, freelance, or contractual basis rather than in permanent full-time jobs. Examples include app-based delivery workers, freelancers, consultants, and project-based employees. The gig economy offers flexibility to both employers and workers but also raises concerns about job security, social protection, and employee benefits.

1.12 FRAMEWORK – DAVE ULRICH'S HR BUSINESS PARTNER MODEL

Dave Ulrich proposed a model that defines four key roles of HR:

1. **Strategic Partner** – Aligning HR strategies with business strategies.

2. **Change Agent** – Managing organizational change and transformation.
3. **Employee Champion** – Representing employee interests and engagement.
4. **Administrative Expert** – Ensuring efficient HR operations and processes.

This model transformed HR from a support function into a strategic business partner.

1.13 CASE STUDY – TATA GROUP HR PHILOSOPHY

The Tata Group follows a people-centric HR philosophy built on trust, ethics, leadership development, and employee welfare. Tata is known for its strong value system, fair labor practices, and commitment to employee well-being. The Tata Code of Conduct ensures integrity and ethical behavior. The group invests heavily in leadership development through Tata Management Training Centre and Tata Administrative Services. Employee engagement initiatives such as healthcare benefits, learning programs, diversity and inclusion policies, and community development projects make Tata one of India's most respected employers. This HR philosophy has helped Tata build employee loyalty, high morale, and long-term organizational sustainability.

UNIT 2: HUMAN RESOURCE PLANNING, RECRUITMENT & RETENTION

2.1 Concept & Meaning:

Human Resource Planning (HRP) is the systematic process of determining an organization's present and future manpower requirements to ensure that the right number of employees with the right skills, qualifications, and experience are available at the right time and in the right place. It helps organizations avoid situations of manpower shortage or surplus. Through HR planning, organizations can decide in advance how many people are needed, what kind of skills they should possess, and how they will be recruited, trained, or redeployed. For example, if an IT company plans to launch a new software product next year, HR planning will help estimate how many software developers, testers, and project managers will be required and how they will be arranged in advance.

2.2 Steps in HR Planning:

- 1. Analyzing objectives**
- 2. Current workforce inventory**
- 3. Demand forecasting**
- 4. Supply forecasting**
- 5. Gap analysis**
- 6. Action plan**

Concept & Meaning of Human Resource Planning (HRP)

1. Analyzing Organizational Objectives

The first step in HR planning is analyzing the objectives of the organization. The manpower requirement depends on the future goals, expansion plans, diversification, and technological changes adopted by the firm. If an organization plans to expand its operations, enter new markets, or introduce new products, it will require additional skilled employees. For example, if Reliance Retail plans to open 500 new stores across India, the HR department

must plan for store managers, sales executives, logistics staff, and customer service employees based on that business expansion objective.

2. Current Workforce Inventory

In this step, the organization assesses its existing human resources to understand how many employees are currently working, their skills, qualifications, experience, age, performance levels, and potential for growth. This helps in identifying whether the present workforce is sufficient or requires upskilling or replacement. For example, a manufacturing company may find that many of its skilled technicians are nearing retirement. This information helps HR plan for future recruitment or training of younger employees in advance.

3. Demand Forecasting

Demand forecasting refers to estimating the number and type of employees required in the future. This forecast depends on factors such as business growth, market demand, production targets, technology adoption, and organizational expansion. Both quantitative and qualitative techniques are used for forecasting. For example, if an automobile company plans to increase production from 1 lakh to 1.5 lakh units per year, HR must forecast how many additional engineers, machine operators, quality inspectors, and supervisors will be required to support the increased output.

4. Supply Forecasting

Supply forecasting estimates the availability of manpower from internal and external sources. Internal supply includes promotions, transfers, and employee development, while external supply includes new recruitment from the job market, campuses, or employment agencies. For example, a bank may forecast that 200 clerks can be promoted internally to officer roles over the next three years, while the remaining requirement must be met through campus recruitment and lateral hiring.

5. Gap Analysis

Gap analysis is the comparison between the forecasted demand for employees and the available supply of employees. If demand is higher than supply, the organization faces a manpower shortage. If supply exceeds demand, it leads to surplus manpower. Based on this gap, HR decides whether to recruit new employees, retrain existing employees, redeploy them, or reduce the workforce. For example, an IT company may find through gap analysis that it needs 100 AI engineers but currently has only 60, indicating a shortage of 40 professionals.

6. Action Plan

The final step in HR planning is preparing an action plan to bridge the manpower gap. If there is a shortage, HR may decide on recruitment, training, outsourcing, or overtime work. If there is a surplus, HR may resort to redeployment, voluntary retirement schemes, job redesign, or workforce reduction. For example, if a retail company faces excess staff due to automation of billing systems, it may retrain employees for customer relationships or warehouse management instead of laying them off.

2.3 Job Analysis

Job analysis is the systematic and scientific study of a job to identify its nature, duties, responsibilities, working conditions, and the qualifications required to perform it. It answers three key questions: *What is done? How is it done? And why is it done?* Job analysis forms the foundation for almost all HR functions such as recruitment, selection, training, performance appraisal, and compensation. For example, before hiring a digital marketing executive, an IT company conducts job analysis to understand the exact responsibilities such as content creation, SEO management, campaign analysis, and social media handling. Without job analysis, organizations may recruit unsuitable candidates, leading to poor performance and high attrition.

2.4. Job Description

A job description is a written statement that clearly defines the duties, responsibilities, authority, reporting relationships, and working conditions of a job. It tells employees what they are expected to do in their role. A good job description includes job title, department, duties, working hours, tools used, and performance standards. For example, the job description of an HR Executive may include responsibilities such as recruitment coordination, employee documentation, payroll support, and grievance handling. Job descriptions help employees understand their roles clearly and reduce role ambiguity, confusion, and conflict.

2.5. Job Specification

Job specification refers to the minimum qualifications, skills, experience, physical ability, and personal traits required to perform a job successfully. While job description focuses on the job, job specification focuses on the person who should do the job. For example, the job specification for a finance manager may require an MBA in Finance, 5–7 years of experience, strong analytical skills, leadership ability, and knowledge of financial regulations. Job specification helps HR in selecting the most suitable candidate and setting clear hiring standards.

2.6. Skills Inventory

A skills inventory is a detailed database of employees' skills, qualifications, experience, training, performance records, and special talents. It helps organizations understand the current capability of their workforce and utilize employees effectively. For example, during digital transformation, a bank may use its skills inventory to identify employees who already possess data analytics or cybersecurity skills and redeploy them instead of hiring externally. Skills inventory also helps in promotions, succession planning, and training need identification.

2.7 Succession Planning

Succession planning is the systematic process of identifying, developing, and preparing employees to take over key leadership and managerial positions in the future. It ensures business continuity and leadership stability when senior executives retire, resign, or become unavailable. For example, companies like Tata and Infosys groom future leaders through leadership development programs and job rotations so that internal talent is ready to take charge when required. Succession planning reduces dependency on external hiring, improves employee motivation, and strengthens long-term organizational sustainability.

2.8 Recruitment

Recruitment is the process of attracting potential candidates to apply for job vacancies in an organization. It creates a pool of qualified applicants from which the best candidate can be selected. Recruitment sources can be **internal** (promotion, transfer, employee referrals) or **external** (advertisements, campuses, job portals, recruitment agencies). For example, a company may promote a team leader internally for a managerial role while simultaneously recruiting fresh graduates from MBA colleges for entry-level positions. Effective recruitment ensures availability of quality talent and improves organizational performance.

2.9 Selection Process

The selection process is a systematic procedure of choosing the most suitable candidate from the pool of applicants. It generally includes the following steps: **Application → Screening → Tests → Interview → Reference Check → Job Offer → Medical Examination → Employment Contract.** For example, in an IT company, after filtering resumes, candidates may undergo aptitude tests, technical interviews, HR interviews, background verification, and finally receive a job offer. A proper selection process ensures the right person is hired, reduces turnover, and improves productivity.

2.10 Social Media Recruitment

Social media recruitment refers to using digital platforms such as **LinkedIn, Instagram, Facebook, Naukri, Indeed, and company career portals** to attract candidates. Employers post job openings, search candidate profiles, and engage with potential talent online. For example, startups often use LinkedIn to hire digital marketers and software developers due to its professional networking features. Social media recruitment is cost-effective, faster, has a wider reach, and helps in employer branding.

2.11 Attrition & Retention

Attrition refers to the loss of employees due to resignation, retirement, termination, or death. High attrition negatively affects productivity, employee morale, customer satisfaction, and organizational stability. Retention refers to the strategies used by organizations to **retain talented employees for a longer period**. Companies use competitive salaries, incentives, career growth opportunities, training, promotions, work-life balance, employee engagement programs, and positive work culture to reduce attrition. For example, IT companies offer flexible working hours, hybrid work models, and continuous learning to retain top performers. Effective retention improves employee loyalty and reduces recruitment costs.

2.12 Manpower Planning Model

Meaning

Manpower Planning, also known as Human Resource Planning (HRP), is the process of forecasting an organization's future human resource requirements and ensuring that the **right number of people with the right skills are available at the right time** to achieve organizational goals.

Manpower Planning Model

Organizational Objectives → Current Workforce Analysis → Demand Forecasting → Supply Forecasting → Gap Analysis → HR Action Plan → Monitoring & Control

Step 1: Organizational Objectives

The HR planning process begins with understanding the **vision, mission, and business goals** of the organization. For example, if a company plans to open 50 new retail stores, it will require store managers, sales staff, logistics staff, and customer service teams accordingly.

Step 2: Current Workforce Analysis

This step involves analyzing the **existing employee strength**, including their age, qualifications, experience, performance level, and skill sets. Tools like HR audits, skills inventory, and employee database are used. For example, a bank may find that 35% of its workforce will retire in the next 5 years.

Step 3: Demand Forecasting

This estimates the **future demand for employees** based on business expansion, technology changes, market growth, and production targets. For instance, an IT company expanding into AI services will forecast the need for more data scientists and ML engineers.

Step 4: Supply Forecasting

This predicts the **availability of employees internally and externally**. Internal sources include promotions and transfers, while external sources include fresh recruits, consultants, and contractors.

Step 5: Gap Analysis

This step identifies the **difference between demand and supply**:

- **Shortage** → Recruitment & Training required
- **Surplus** → Downsizing, redeployment, VRS

Step 6: HR Action Plan

Based on the gap, the organization prepares its HR strategy such as:

- Hiring plan
- Training & development programs
- Career planning
- Automation

Step 7: Monitoring & Control

HR plans are periodically reviewed based on business changes, resignations, economic conditions, and policy changes.

Example

Reliance Retail, while expanding stores pan-India, planned manpower requirements in phases — store employees, logistics staff, IT staff, and customer relationship executives.

2.13 Strategic HR Planning vs Traditional HR Planning

Basis	Traditional HR Planning	Strategic HR Planning
Focus	Short-term staffing needs	Long-term organizational growth
Orientation	Reactive	Proactive
Link with Business	Weak	Strongly aligned
Decision Making	Administrative	Business-driven
Technology	Minimal	HR analytics & AI-based
Example	Hiring after vacancy arises	Hiring in advance for expansion

Traditional HR Planning

This approach focuses mainly on **routine administrative activities** such as recruitment, attendance, payroll, and maintaining records. It reacts to immediate manpower shortages. For example, hiring a clerk only after someone resigns.

Strategic HR Planning

It integrates HR planning with the **overall business strategy**. It anticipates future skill requirements and builds leadership pipelines. For example, companies like Infosys and TCS prepare talent for future technologies like cloud computing and AI *before* demand peaks.

Conclusion

Modern organizations prefer **Strategic HR Planning** as it supports long-term sustainability, leadership development, digital transformation, and competitive advantage.

2.14 Recruitment Policy & Employer Branding

Recruitment Policy

A recruitment policy is a formal guideline that defines **how, when, from where, and on what basis employees will be hired**. A well-designed recruitment policy ensures fairness, transparency, and legal compliance.

Key Elements:

- Internal vs External recruitment
- Equal opportunity policy
- Selection criteria
- Outsourcing recruitment
- Campus hiring guidelines

Importance:

- Attracts quality talent
- Reduces hiring bias
- Saves cost and time
- Improves organizational image

Employer Branding

Employer branding refers to the organization's **reputation as an employer in the job market**. It answers the question:

☞ *"Why should someone work for this company?"*

Example

- **Google** – Innovation & creativity

- **Infosys** – Learning & job stability
- **Tata Group** – Ethics & trust

Tools for Employer Branding:

- Social media campaigns
- Employee testimonials
- CSR activities
- Awards & work culture rankings

Difference Between Recruitment & Employer Branding

Recruitment	Employer Branding
Fills vacancies	Builds long-term talent image
Short-term	Long-term
Job-focused	Culture-focused

4. Employee Turnover Analysis – Indian IT Sector

Meaning of Employee Turnover

Employee turnover refers to the **rate at which employees leave an organization over a specific period.**

Formula

Employee Turnover Rate = (Number of Resignations ÷ Average Number of Employees) × 100

Indian IT Sector Turnover – General Trend

Year	Average Attrition (%)
2020	10-12%
2021	18-22%
2022	22-28%
2023-24	12-16% (stabilizing phase)

Reasons for High IT Turnover

- Higher salary offers
- Job hopping culture
- Work pressure
- Overseas opportunities
- Skill mismatch

Impact of High Turnover

- Loss of trained talent
- Increased recruitment cost
- Delay in project delivery
- Reduced team morale

Retention Strategies Adopted by IT Companies

- Upskilling programs
- Flexible working models
- Higher variable pay
- Career mobility
- Employee wellness programs

2.14 Case Study: Infosys Recruitment & Retention Strategy

Company Background

Infosys Limited is one of India's top IT service companies founded in 1981. It employs more than **3 lakh employees globally** and is known for **corporate governance, employee training, and leadership development**.

Recruitment Strategy of Infosys

◆ 1. Campus Recruitment

Infosys hires thousands of engineering and management graduates from top colleges through structured campus drives.

◆ 2. Digital Hiring

It uses AI-enabled platforms for resume screening, online assessments, and virtual interviews.

◆ 3. Global Talent Pool

Infosys actively recruits internationally for niche skills in cloud computing, cybersecurity, and digital transformation.

2.15 Training & Development – Infosys Global Education Centre (Mysuru)

Infosys runs one of the **largest corporate universities in the world** where fresh recruits undergo 3–6 months of intensive technical and behavioral training.

Retention Strategies

Competitive Pay Structure

Infosys follows a performance-based compensation system with mid-year bonuses and annual hikes.

Career Growth Opportunities

- Frequent promotions
- Global project exposure
- Job rotation

Work-Life Balance

- Hybrid work model
- Flexible shifts
- Mental wellness programs

Continuous Learning

- Free access to digital learning platforms

- Certification programs
- Leadership development tracks

Employer Branding of Infosys

Infosys is branded as:

- A learning organization
- A stable employer
- A technology innovation hub

It regularly features in “**Best Employer in India**” rankings.

Challenges Faced

- High industry attrition
- Demand–supply mismatch in digital skills
- Competition from startups and global firms

Outcomes & HR Impact

- Strong leadership pipeline
- Low average long-term attrition
- High employee loyalty
- Global brand trust

Managerial Learning from the Case

- Investment in employee training ensures long-term retention
- Employer branding reduces recruitment cost
- Strategic HR planning supports business scalability

UNIT 3: TRAINING, DEVELOPMENT & CAREER MANAGEMENT

3.1 Concept and Meaning of Training & Development

Training and development are systematic processes designed to enhance employee knowledge, skills, and abilities.

Training

Training is a **short-term learning process** aimed at improving an employee's **current job performance**. It focuses on specific job-related skills.

◆ **Example:**

A bank employee is trained on a new digital loan processing system.

Development

Development is a **long-term process** that prepares employees for **future roles and leadership responsibilities**. It focuses on overall personality growth, decision-making, and managerial capabilities.

◆ **Example:**

A senior executive attends a leadership development program to become a future CEO.

Difference Between Training and Development

Basis	Training	Development
Nature	Short-term	Long-term
Focus	Current job	Future job
Aim	Skill improvement	Leadership & growth
Level	Operational	Managerial

3.2 Training Need Analysis (TNA)

Meaning

Training Need Analysis is a **systematic process of identifying gaps between actual performance and expected performance** of employees to determine what type of training is required, for whom, and at what level.

☞ The objective of TNA is to ensure that training is **need-based**, cost-effective, and result-oriented.

Process of Training Need Analysis

◆ Step 1: Identify Organizational Goals

The training program must support the **organization's strategic objectives**.

◆ Step 2: Diagnose Performance Gaps

Compare actual performance with desired performance.

◆ Step 3: Classify the Cause of the Gap

Find whether the issue is:

- Skill-related → Training required
- Attitude-related → Counseling required
- System-related → Process improvement required

◆ Step 4: Identify Type of Training

Technical, behavioral, safety, leadership, or digital skills.

◆ Step 5: Select Employees for Training

Based on performance appraisal, feedback, and testing.

3.3 Types of Training Need Analysis

There are **three major levels of TNA**:

1. Organizational Analysis

Meaning

Organizational Analysis examines **where training is needed in the organization** and how it aligns with business goals, market trends, and future plans.

Focus Areas

- Company objectives
- Business expansion plans
- Technology changes
- Financial capacity for training
- Industry competition

Example (Indian Context)

Tata Motors shifts towards Electric Vehicles (EV). Organizational analysis reveals that employees need training in:

- Battery technology
- AI-based diagnostics
- EV manufacturing processes

Hence, large-scale reskilling programs are introduced.

2. Task / Job Analysis

Meaning

Task analysis identifies what skills and knowledge are needed to perform a specific job efficiently. **It focuses on job duties and responsibilities.**

Tools Used

- Job description
- Job specification
- Work study
- Process charts

Example

In a hospital, nurses are required to handle:

- Patient records digitally
- Medical equipment
- Emergency response systems

Task analysis shows the need for:

- Digital healthcare system training
- Infection control workshops
- Emergency handling drills

3. Individual / Person Analysis

Meaning

Individual analysis identifies **which employees need training** and what kind of training based on performance gaps.

Tools Used

- Performance appraisal reports
- Skill tests
- Supervisor feedback
- Customer complaints

Example

A relationship manager in an insurance company fails to meet sales targets. Individual analysis reveals:

- Poor communication skills
- Weak product knowledge

He is given:

- Sales training
- Customer handling workshops

3.4 Integrated Example – Complete TNA Process

Case: Infosys Digital Transformation Training

- **Organizational Analysis:** Infosys plans expansion in cloud and AI services
- **Task Analysis:** Cloud engineers must know Python, AWS, DevOps
- **Individual Analysis:** Some engineers lack certifications

Result: Company launches company-sponsored certification programs

3.5 Importance of Training Need Analysis

Avoids unnecessary training cost
Improves employee performance
Increases Return on Training Investment (ROTI)
Enhances employee morale
Supports organizational growth

Training improves **present performance**, while development ensures **future readiness**. Training Need Analysis ensures that training programs are meaningful, focused, and aligned with both employee needs and organizational goals through **Organizational, Task, and Individual Analysis**.

3.6 ON-THE-JOB TRAINING METHODS

On-the-job training refers to the method of training employees **at the workplace while performing actual job duties**. This method is practical, cost-effective, and provides real-time learning.

1. Coaching

Meaning

Coaching is a personalized training method where a **senior employee or supervisor guides a junior employee** to improve performance, skills, and confidence.

Process

- The coach observes employee performance
- Identifies strengths and weaknesses
- Gives continuous guidance and feedback
- Tracks improvement regularly

Example (India)

In **HDFC Bank**, senior relationship managers coach new recruits on:

- Customer handling
- Cross-selling banking products
- Loan processing procedures

Advantages

Personalized learning

Immediate performance improvement

Builds strong superior-subordinate relationship

2. Job Rotation

Meaning

Job rotation involves shifting employees from one department or role to another **at planned intervals** to broaden skills and experience.

Purpose

- Multi-skilling employees

- Reducing job monotony
- Identifying future leaders
- Improving organizational flexibility

Example

At **Tata Steel**, management trainees rotate through:

- Production
- HR
- Finance
- Marketing

to develop complete business understanding.

Benefits

Broad skill development

Better coordination between departments

Leadership readiness

3. Apprenticeship

Meaning

Apprenticeship is a combination of **classroom instruction and hands-on practical training**, generally for technical and skilled jobs.

Example

In **L&T, BHEL, and Indian Railways**, apprentices are trained in:

- Electrical maintenance
- Welding
- Machine operations

Advantages

Availability of skilled workforce
Industry-relevant practical skills
Smooth transition to full-time jobs

3.7 OFF-THE-JOB TRAINING METHODS

Off-the-job training takes place **away from the actual workplace**, allowing employees to focus fully on learning.

1. Classroom Training

Meaning

Employees attend formal classes to learn:

- Theoretical concepts
- Rules and procedures
- Professional knowledge

Example

MBA freshers in companies like **Infosys, TCS & Wipro** undergo classroom training in:

- Programming languages
- Communication skills
- Business ethics

2. Workshops

Meaning

Workshops are **interactive training sessions** involving discussions, activities, and problem-solving techniques.

Example

Marketing employees attend workshops on:

- Digital marketing
- Consumer behavior
- Branding strategies

3. Seminars

Meaning

Seminars involve experts delivering knowledge on:

- Latest industry trends
- Regulatory changes
- New technologies

Example

SEBI conducts seminars for finance professionals on:

- Financial regulations
- Risk management
- Compliance systems

3.8 MODERN TRAINING METHODS

Modern methods use **technology-enabled learning systems** for flexible and efficient training.

1. E-Learning

Meaning

E-learning uses **digital platforms, mobile apps, and Learning Management Systems (LMS)** for online training.

Example

- Reliance Digital uses e-learning modules for retail staff
- Infosys uses internal learning portals for certification

Benefits

Learn anytime, anywhere

Cost-effective

Self-paced learning

2. Simulation

Meaning

Simulation involves **artificially created job situations** where employees practice real-life decisions.

Example

Pilots in **IndiGo & Air India** are trained using flight simulators.

Advantages

Risk-free learning

Real-time decision-making

Improves technical accuracy

3. Virtual Reality (VR)

Meaning

VR creates an **immersive digital training environment** for real-job experience.

Example

- Manufacturing firms use VR for machine handling
- Hospitals train surgeons using VR simulations

3.9 EXECUTIVE DEVELOPMENT PROGRAMS (EDP)

Meaning

Executive Development Programs are **long-term, structured programs** designed to prepare managers for **future leadership roles**.

Types of Executive Development Programs

- Leadership training
- Strategic thinking workshops
- Decision-making programs
- Emotional intelligence training

Example

Tata Administrative Services (TAS) prepares future leaders through:

- Global exposure
- Cross-functional assignments
- Leadership mentoring

Benefits

Strong leadership pipeline
Strategic capability enhancement
Organizational continuity

3.10 CAREER MANAGEMENT

Career management is a **continuous process of planning, developing, and guiding an employee's career growth** within the organization.

1. Career Planning

Identifying:

- Employee career aspirations

- Organizational future needs
- Suitable career paths

Example: A junior analyst plans to become a project manager.

2. Career Development

Providing:

- Training
- Job rotation
- Skill enhancement

3. Career Counseling

Helping employees:

- Resolve career confusion
- Choose suitable roles
- Improve job satisfaction

Example: In **ICICI Bank**, employees receive career guidance based on performance and skill assessment.

3.11 COMPETENCY MAPPING

Meaning

Competency mapping is the process of **identifying the key skills, knowledge, abilities, and behaviors required for successful job performance.**

Types of Competencies

- Technical competencies
- Behavioral competencies
- Leadership competencies

Example

For a **Sales Manager**, key competencies include:

- Communication
- Negotiation
- Data analysis
- Team leadership

Advantages

Right person for right job
Targeted training programs
Better performance management

3.12 KNOWLEDGE MANAGEMENT (KM)

Meaning

Knowledge Management involves **systematic collection, storage, sharing, and utilization of organizational knowledge.**

Types of Knowledge

- Explicit knowledge – documents, manuals, SOPs
- Tacit knowledge – experience, skills, insights

Example

Infosys stores learning materials, coding libraries, and solutions in its internal knowledge portal for employee access.

Benefits

Prevents loss of organizational knowledge
Improves innovation
Enhances decision-making

3.13 TALENT MANAGEMENT

Meaning

Talent management is a **strategic process of attracting, developing, motivating, and retaining high-potential employees.**

Key Components

- Talent acquisition
- Talent development
- Talent engagement
- Talent retention
- Succession planning

Example (Indian Context)

TCS Talent Framework focuses on:

- Leadership readiness
- Career mobility
- Skill-based deployment

Benefits

Competitive advantage
High employee performance
Long-term business sustainability

On-the-job and off-the-job training methods enhance employee skills at different levels. Modern training methods like e-learning, simulation, and VR improve learning efficiency. Executive development programs prepare future leaders, while career management, competency mapping, knowledge management, and talent management ensure sustained organizational growth and employee excellence.

3.14 Kirkpatrick's Four-Level Training Evaluation Model

Meaning

Kirkpatrick's Model is the **most widely used framework to evaluate the effectiveness of training programs**. It measures training impact at **four progressive levels**, starting from trainee reaction and ending with organizational results.

Level 1: Reaction

Meaning

This level measures **how participants feel about the training program**. It captures their satisfaction, interest, and perceived usefulness.

What is Measured?

- Quality of trainer
- Learning environment
- Training content
- Training methodology

Tools Used

- Feedback forms
- Online surveys
- Rating scales
- Instant polls

Example

After a communication skills workshop at **HDFC Bank**, employees rate:

- Trainer effectiveness
- Relevance of the content
- Usefulness in customer handling

Importance

Easy to measure

Immediate feedback

Helps improve future training programs

Level 2: Learning

Meaning

This level measures **how much knowledge, skills, or attitudes participants have gained** from the training.

What is Evaluated?

- Increase in technical knowledge
- Improvement in skill set
- Change in attitude

Tools Used

- Pre-test and post-test
- Quizzes
- Skill demonstrations
- Certification exams

Example

At **Infosys Mysuru Training Campus**, engineers take:

- A coding test before training

- The same test after training
Improved scores indicate effective learning.

Level 3: Behavior

Meaning

This level evaluates **whether the trainees are applying their new learning on the job.**

What is Observed?

- Change in work behavior
- Application of learned skills
- Improved teamwork or leadership

Tools Used

- Supervisor feedback
- Performance appraisal reports
- 360-degree feedback
- Workplace observation

Example

After safety training at **L&T construction sites**, employees:

- Follow safety protocols
- Wear protective equipment
- Report hazards responsibly

Level 4: Results

Meaning

This level assesses the **final organizational impact** of the training program in quantifiable business terms.

What is Measured?

- Increase in productivity
- Reduction in errors
- Higher sales
- Improved customer satisfaction
- Lower attrition

Example

After sales training at **ICICI Bank**:

- Loan disbursement increases
- Customer complaints reduce
- Cross-selling improves

These business improvements represent successful Level 4 outcomes.

Summary of Kirkpatrick's Model

Level	Focus	Measures	Example
Level 1	Reaction	Satisfaction	Training feedback
Level 2	Learning	Knowledge gain	Tests & exams
Level 3	Behavior	Skill application	On-job behavior
Level 4	Results	Business impact	Sales, profits

3.15 ADDIE Model (Training Design Framework)

Meaning

The ADDIE Model is a **systematic instructional design framework** used to **plan, develop, implement, and evaluate training programs effectively**. It ensures training is **structured, need-based, and outcome-oriented**.

ADDIE stands for:

A – Analysis

D – Design

D – Development

I – Implementation

E – Evaluation

1. Analysis

Meaning

This is the **diagnosis stage** where training needs are identified.

Activities

- Training Need Analysis
- Identifying target audience
- Defining learning gaps
- Setting training goals

Example

A hospital identifies that nurses lack training in electronic medical records → training need is established.

2. Design

Meaning

In this stage, the **blueprint of the training program** is created.

Activities

- Setting learning objectives
- Selecting training methods
- Designing course structure
- Preparing evaluation plan

Example

The hospital designs:

- 5-day classroom + hands-on training
- Online assessment test

3. Development

Meaning

Actual training content is created in this stage.

Activities

- Preparing presentations
- Developing videos
- Creating manuals
- Preparing simulations

Example

Recording demo videos for hospital software training.

4. Implementation

Meaning

The training program is **delivered to participants**.

Activities

- Scheduling training sessions
- Assigning trainers
- Conducting classes
- Monitoring participation

Example

Employees attend live training sessions, participate in practical activities.

5. Evaluation

Meaning

The final stage checks whether **training objectives have been achieved** using feedback and performance data.

Methods Used

- Kirkpatrick's Levels
- Feedback analysis
- Performance comparison
- ROI analysis

Example

Hospital compares pre-training errors vs post-training error rate.

Difference Between Kirkpatrick & ADDIE

Basis	Kirkpatrick	ADDIE
Purpose	Training Evaluation	Training Design
Focus	Measuring effectiveness	Building training program
Stages	4 Levels	5 Steps
Used For	Impact measurement	Training planning

The **ADDIE Model** ensures systematic training design, while **Kirkpatrick's Model** ensures effective training evaluation. Together, they help organizations design meaningful, measurable, and result-oriented training programs that directly support business goals.

3.16 Case Study – Amazon Career Choice Program: Supports employee education funding.

Case Study: Amazon Career Choice Program

(Training, Development & Career Management – Indian & Global Context)

Introduction

Amazon Career Choice Program is one of the most well-known **corporate education support initiatives in the world**. It was launched by Amazon in 2012 with the objective of **supporting employees in pursuing higher education and skill development**, even for careers **outside Amazon**. The program reflects Amazon's strong belief that **employee growth leads to long-term organizational success**, even if employees eventually move on to other careers.

Objective of the Program

The primary objectives of the Amazon Career Choice Program are:

- To support employees in gaining higher education and professional skills
- To improve the employability of frontline and operational employees
- To prepare employees for high-demand careers

- To enhance employee motivation and retention
- To strengthen Amazon's employer brand

Unlike traditional training programs that focus only on company-specific skills, Amazon Career Choice focuses on **life-long learning and career mobility**.

Key Features of the Program

1. Education Funding Support

Amazon pays up to **95%–100% of tuition fees** for eligible employees pursuing approved education programs.

2. Wide Range of Courses

Employees can pursue:

- IT & Software Development
- Data Analytics
- Cloud Computing
- Healthcare
- Supply Chain Management
- Mechanical and Electrical Engineering
- Business Management

3. Eligibility Criteria

- Full-time hourly employees
- Minimum one year of service
- Good performance record

4. Flexible Learning Options

- Online courses
- Part-time degrees
- Weekend programs
- Certification programs

Amazon Career Choice Program in India

In India, Amazon launched Career Choice for:

- Warehouse associates
- Delivery partners
- Customer service executives

Indian employees use this program for:

- B.Tech / Diploma programs
- MBA (Distance / Online)
- IT certifications (Python, AWS, Data Science)
- Logistics & Operations Management

Institutions collaborate with Amazon to provide customized learning modules.

Process of the Amazon Career Choice Program

1. **Training Need Identification**
Employees express interest in future careers or skill development areas.
2. **Program Selection**
They select approved courses listed under Amazon Career Choice.
3. **Application & Approval**
HR and Learning & Development teams review eligibility.
4. **Fee Sponsorship**
Amazon pays a major portion of education fees directly to institutions.
5. **Learning & Progress Tracking**
Employee progress is monitored through:
 - Academic performance
 - Attendance
 - Certification outcomes
6. **Career Mobility Support**
After course completion, employees are encouraged to:

- Apply for internal promotions
- Shift to technical or managerial roles

Link with ADDIE & Kirkpatrick Models

◆ ADDIE Model

- **Analysis:** Skill gaps in operations staff identified
- **Design:** Education-based learning model created
- **Development:** Partner institutions developed custom courses
- **Implementation:** Employees enrolled in programs
- **Evaluation:** Performance and promotion rates studied

◆ Kirkpatrick's Model

- **Reaction:** High satisfaction among employees
- **Learning:** Gain in formal education & certifications
- **Behavior:** Employees show improved work confidence
- **Results:** Higher retention, internal promotions, stronger brand image

Benefits to Employees

- Free or highly subsidized higher education
- Improved career prospects
- Increased self-confidence
- Better salary opportunities
- Professional recognition
- Global employability

Benefits to Amazon

- Strong employer branding
- Higher employee loyalty
- Reduced attrition in frontline jobs
- Creation of a future-ready workforce
- Positive corporate social responsibility (CSR) image

Challenges in Implementation

- High financial investment
- Managing work–study balance
- Tracking multiple education institutions
- Retaining trained employees after course completion

Despite these challenges, Amazon continues to expand the program globally.

Outcome & Impact

- Thousands of employees globally and in India have completed degrees and certifications
- Many employees have moved into:
 - IT support
 - Operations management
 - Data analysis
 - Human resources
- Employee satisfaction scores have significantly increased
- Amazon is consistently rated as a **“Best Employer for Learning”**

Managerial Learning from the Case

- Education-based employee development creates **long-term loyalty**
- Investment in people strengthens **organizational culture**
- Career mobility programs enhance **retention and motivation**
- Learning-focused employer branding attracts **top talent**

The Amazon Career Choice Program is a powerful example of how organizations can integrate **training, education, talent management, and career development** into one comprehensive strategy. By supporting employees’ educational aspirations, Amazon has created a highly skilled, motivated, and loyal workforce while strengthening its reputation as a people-first organization.

UNIT 4: PERFORMANCE MANAGEMENT

4.1 Concept and Meaning

Performance Management is a **continuous and systematic process of setting goals, measuring employee performance, providing feedback, and improving performance** in alignment with organizational objectives.

It is **not a one-time appraisal**, but an **ongoing cycle of planning, monitoring, developing, and reviewing performance**.

Key Components

1. Goal setting
2. Performance monitoring
3. Feedback & coaching
4. Performance evaluation
5. Rewards & development

Example

At **Google**, employees set goals every quarter and review them using OKRs (Objectives and Key Results).

4.2. IMPORTANCE OF PERFORMANCE MANAGEMENT

1. Improves Productivity

Clear goals and continuous tracking ensure employees focus on the right priorities.

Example: Sales targets improve revenue growth.

2. Enhances Employee Motivation

Recognition, rewards, and career growth motivate employees to perform better.

Example: Monthly “Best Performer” awards at Infosys.

3. Creates Accountability

Employees become responsible for their outcomes.

Employees track deliverables against deadlines.

4. Supports Career Growth

Identifies training needs and promotion opportunities.

5. Aligns Individual & Organizational Goals

Employee efforts directly support business success.

4.3. PERFORMANCE APPRAISAL METHODS

A. Traditional Methods

1. Ranking Method

Employees are ranked from **best to worst**.

Useful for promotions

✗ Creates unhealthy competition

2. Rating Scales

Employees are rated on traits such as:

- Communication
- Initiative
- Teamwork
- Leadership

Using a scale like:

Excellent | Good | Average | Poor

Simple
✗ Subjective

B. Modern Methods

4.4. MANAGEMENT BY OBJECTIVES (MBO)

Meaning

MBO is a performance appraisal method where **goals are jointly set by managers and employees**, and performance is evaluated based on achievement of these goals.

MBO Process

1. Goal setting
2. Action planning
3. Performance monitoring
4. Performance review
5. Rewards based on achievement

Example

In an insurance company:

- Employee sets sales target of 100 policies
- If achieved → incentive paid

Advantages

Clear targets
High motivation
Objective evaluation

4.5. 360-DEGREE FEEDBACK

Meaning

360-degree feedback is a **multi-source appraisal system** where feedback is collected from:

- Superiors
- Peers
- Subordinates
- Customers
- Self

What It Measures

- Leadership
- Team behavior
- Communication
- Emotional intelligence

Example

At **Tata Group**, leadership roles use 360-degree feedback for promotion assessment.

Advantages

Holistic evaluation

Reduces bias

Improves leadership quality

4.6. PERFORMANCE FEEDBACK

Meaning

Performance feedback is **constructive communication given to employees regarding their strengths, weaknesses, and areas for improvement.**

Types

- Positive feedback
- Corrective feedback
- Developmental feedback

Importance

Improves performance
Builds confidence
Encourages learning

Example

Manager tells employee:

"You are strong in client handling but need to improve reporting accuracy."

4.7. ONLINE PERFORMANCE MANAGEMENT SYSTEM (ONLINE PMS)

Meaning

Online PMS is a **digital platform used to set targets, track progress, review performance, and generate reports.**

Features

- Goal tracking
- Real-time feedback
- Automated appraisals
- Performance dashboards

Example

Companies like **Wipro, Accenture, Infosys** use cloud-based PMS tools.

Benefits

- Paperless
- Transparent
- Time-saving
- Data-driven

4.8 HRIS – HUMAN RESOURCE INFORMATION SYSTEM

Meaning

HRIS is a computerized system used to store, retrieve, and manage employee data.

Functions

- Payroll processing
- Attendance tracking
- Leave management
- Performance records
- Recruitment tracking

Example

Zoho HR, SAP HR, Darwinbox used in Indian companies.

Benefits

- Accuracy
- Speed
- Data security
- Easy reporting

4.9. INTERNATIONAL HRM

Meaning

International HRM refers to **managing human resources across different countries**, cultures, and legal environments.

Key Activities

- Global hiring
- Expatriate management
- Cross-border compensation
- International training
- Legal compliance

Example

Infosys managing employees in:

- USA
- UK
- Australia
- Europe

4.10. CROSS-CULTURAL DIVERSITY

Meaning

Cross-cultural diversity refers to **managing employees from different nationalities, languages, values, beliefs, and cultures.**

Challenges

- Communication barriers
- Work value differences
- Conflict management
- Leadership style adaptability

Benefits

Innovation

Global perspective

Inclusive workplace

Example

Google India employs people from multiple nationalities.

4.11. HR ANALYTICS

Meaning

HR Analytics is the **use of data and statistical tools to make evidence-based HR decisions.**

Areas of HR Analytics

- Attrition prediction
- Performance analysis
- Recruitment efficiency
- Training effectiveness
- Compensation benchmarking

Example

TCS uses HR analytics to:

- Predict employee resignations
- Plan leadership development

Benefits

- Data-driven decisions
- Cost control
- Predictive hiring
- Talent optimization

4.12. FRAMEWORK – BALANCED SCORECARD

Meaning

Balanced Scorecard is a **strategic performance management framework** that measures performance from **four perspectives**, not only financial results.

Four Perspectives

Perspective	Focus
Financial	Profit, ROI
Customer	Satisfaction, loyalty
Internal Process	Quality, efficiency
Learning & Growth	Skills, innovation

Example

A hospital evaluates:

- Financial – revenue
- Customer – patient satisfaction
- Process – treatment accuracy
- Learning – doctor training

4.13. CASE STUDY – GOOGLE OKRs

Meaning

OKR (Objectives and Key Results) is Google's **goal-setting and performance alignment system**.

Structure

- **Objective:** What to achieve
- **Key Results:** How to measure success

Example

Objective: Improve customer satisfaction

Key Results:

- Reduce complaint rate by 30%
- Increase app rating to 4.5

Benefits

Transparency

Focus

Team alignment

Continuous performance tracking

Outcome

Google achieved:

- High productivity
- Innovation
- Team accountability
- Global leadership culture

UNIT 5: COMPENSATION MANAGEMENT

5.1 Concept and Meaning

Compensation Management refers to the **process of designing, implementing, and administering a fair, equitable, and competitive reward system** to employees in return for their services to the organization.

Compensation Management is a strategic function of Human Resource Management that involves deciding **how much employees should be paid, in what form, and on what basis**. It includes both **financial rewards** such as salary, wages, incentives, bonuses, and **non-financial rewards** such as recognition, career growth, and job security. A well-designed compensation system helps in **attracting talent, retaining skilled employees, motivating high performance, ensuring internal equity, and maintaining external competitiveness**. For example, leading Indian IT companies like Infosys and TCS design compensation structures based on employee performance, industry standards, and skill levels to stay competitive in the job market.

5.2 2. Job Evaluation

Meaning

Job Evaluation is the **systematic and scientific process of determining the relative worth of different jobs within an organization** to establish a fair wage structure.

Job Evaluation helps organizations decide how much each job should be paid based on its **responsibilities, skill requirement, effort, working conditions, and level of accountability**, rather than on the individual who performs the job. It ensures **internal equity**, where similar jobs are paid similarly and higher responsibility jobs receive higher pay. Common methods of job evaluation include **ranking method, factor comparison method, point method, and job grading method**. For example, in a manufacturing company, the job of a Production Manager will be evaluated higher than that of a Machine Operator

because it involves higher responsibility and decision-making authority. Thus, job evaluation forms the **foundation of a scientific pay structure**.

4.3. Wage and Salary Administration

Wage and Salary Administration refers to the **process of developing and maintaining a fair and effective remuneration system** for employees in an organization.

Wage and salary administration deals with deciding **how wages and salaries are structured, revised, and distributed among employees**. It includes fixing pay scales, increments, bonuses, allowances, and incentives while ensuring compliance with **labor laws, minimum wage regulations, and industry standards**. A good wage and salary system helps ensure **employee satisfaction, motivation, industrial harmony, and cost control** for the organization. Factors influencing wage determination include **job evaluation, cost of living, market rates, organizational ability to pay, and government legislation**. For example, banks revise employee salaries based on periodic wage agreements negotiated between management and employee unions.

4.4. Compensation Packages

Meaning

A Compensation Package is the **total reward offered to an employee**, including salary, allowances, incentives, and benefits.

Components

- **Basic Pay**
- **Allowances** (DA, HRA, Travel Allowance, Medical Allowance)
- **Benefits & Perquisites** (PF, Gratuity, Insurance, ESOPs, Leave Benefits)

A compensation package represents the complete set of financial and non-financial rewards provided to an employee for their contribution to the organization. Basic Pay forms the core of the salary structure and is used to calculate other benefits. Allowances are additional payments given to meet specific expenses such as housing, travel, and cost of living. Benefits and perquisites include provident fund, gratuity, health insurance, paid leaves, bonuses, and stock options. A well-designed compensation package not only ensures financial security but also improves employee loyalty, motivation, job satisfaction, and retention. For instance, many Indian startups offer attractive compensation packages that include performance bonuses and ESOPs to retain young talent.

1. Dearness Allowance (DA)

Meaning

Dearness Allowance is a **cost-of-living adjustment paid to employees to neutralize the impact of inflation** on their purchasing power.

Dearness Allowance is mainly paid to government employees and public sector employees in India to protect their real income from the effect of rising prices and inflation. It is calculated as a **percentage of Basic Pay** and is revised periodically based on changes in the **Cost of Living Index (CPI)**. When prices of essential goods and services increase, DA also increases, ensuring employees maintain their standard of living. For example, Central Government employees receive DA revisions twice a year (January and July) based on inflation trends.

2. Cost of Living Index (CLI / CPI)

Meaning

The Cost of Living Index is a **statistical measure that tracks changes in the price level of essential goods and services over time**.

The Cost of Living Index (also known as Consumer Price Index – CPI) measures the average change in prices paid by consumers for essential items like food, housing, clothing, transport, and healthcare. It is used as a **benchmark for revising wages, salaries, pensions, and Dearness Allowance**. A rise in CPI indicates an increase in the cost of living and reduced purchasing power, while a fall indicates stability. For example, when CPI increases by 6%, organizations revise DA and wages accordingly to compensate employees against inflation.

3. Incentive Systems

Meaning

Incentive Systems are **financial rewards given to employees for superior performance above standard expectations**.

Types of Incentives

- Individual Incentives
- Group Incentives
- Production Incentives
- Sales Incentives
- Profit Sharing

Incentive systems are designed to motivate employees to improve productivity, efficiency, quality, and overall performance. Unlike fixed salaries, incentives are linked to output or performance. Individual incentives reward personal effort, while group incentives reward team performance. Sales incentives provide commissions to sales personnel for achieving or exceeding targets. Profit sharing distributes a portion of profits among employees. For example, manufacturing companies offer production incentives for exceeding output targets, and sales executives earn commissions based on sales achieved.

4. ESOP – Employee Stock Ownership Plan

Meaning

ESOP is a scheme in which **employees are given an ownership interest in the company through shares.**

Employee Stock Ownership Plans (ESOPs) allow employees to purchase or earn company shares at a discounted price or through performance-based grants. It transforms employees into **partial owners of the organization**, thereby increasing commitment, loyalty, and long-term association. ESOPs align employee interest with organizational growth. They are commonly used by startups and IT companies to retain top talent. For example, companies like Infosys, Flipkart, Zomato, and Swiggy offer ESOPs to reward high-performing employees.

5. Productivity Linked Bonus (PLB)

Meaning

Productivity Linked Bonus is a **performance-based bonus paid to employees based on the organization's productivity and profitability.**

PLB is mostly implemented in government departments and public sector undertakings (PSUs). It is directly linked to output, efficiency, and profitability. If organizational productivity increases, employees receive higher bonuses. PLB improves motivation, commitment, and organizational loyalty. For example, Indian Railways employees receive PLB every year based on the railway's operational performance.

6. Rewards and Recognition

Meaning

Rewards and Recognition refer to **financial and non-financial appreciation given to employees for outstanding performance.**

Types

- **Monetary Rewards** – Bonuses, cash awards
- **Non-Monetary Recognition** – Appreciation letters, certificates, titles

Rewards and recognition programs aim to acknowledge employee efforts and achievements. While rewards provide financial motivation, recognition fulfills psychological needs such as esteem, belongingness, and job satisfaction. Recognition improves morale, reduces turnover, and creates a positive work culture. For example, companies conduct “Employee of the Month” programs, instant awards, and leadership recognition ceremonies.

7. Case Study – Netflix Compensation Philosophy

Key Philosophy

- “Pay Top of Market”
- No traditional bonuses
- High performance culture
- Transparency

Netflix follows a unique and bold compensation philosophy called “Pay Top of Market.” Instead of giving fixed bonuses and annual hikes, Netflix pays employees the **highest market salary upfront**. Employees are allowed to choose between higher cash salary or stock options. Netflix believes in maintaining only **high performers** and letting go of average performers. The company promotes complete transparency and freedom with accountability.

This strategy helps Netflix attract world-class talent and maintain innovation leadership in the global entertainment industry.

8. Framework – Total Rewards Model

Meaning

The Total Rewards Model refers to a holistic approach to employee compensation covering both financial and non-financial rewards.

Components of Total Rewards Model

1. Compensation (Salary & Incentives)
2. Benefits (Insurance, PF, Gratuity)
3. Work-Life Balance
4. Career Development
5. Recognition & Performance Management

The Total Rewards Model emphasizes that employee motivation does not depend on salary alone. It integrates monetary rewards with non-monetary benefits such as career growth, learning opportunities, workplace flexibility, job security, and employee well-being. For example, Google offers not only attractive salaries but also learning programs, wellness initiatives, flexible work culture, recognition programs, and career advancement opportunities. This integrated reward system helps organizations attract, engage, and retain employees effectively.

1. Dearness Allowance (DA)

Particulars	Value
Basic Pay	₹40,000
DA Rate	15%
DA Calculation	$40,000 \times 15 \div 100$
DA Amount	₹6,000
Gross Salary (Basic + DA)	₹46,000

Interpretation: Employee's gross pay (Basic + DA) = ₹40,000 + ₹6,000 = ₹46,000 per month.

2. Cost of Living Index (CPI) Impact on DA

Particulars	Value
Old CPI	250
New CPI	265
CPI Increase	15
CPI % Increase	6%
Old DA %	10%
Revised DA %	16%
Basic Pay	₹30,000
Old DA	₹3,000
Revised DA	₹4,800

Interpretation: Due to CPI rise, DA increased from ₹3,000 → ₹4,800, protecting purchasing power.. DA increases with inflation to maintain purchasing power.

3. Incentive System – Sales Commission

Particulars	Amount
Total Sales	₹5,20,000
Commission @2% on first ₹3,00,000	₹6,000
Remaining Sales	₹2,20,000
Commission @4% on ₹2,20,000	₹8,800
Total Commission Earned	₹14,800

Interpretation: Salesperson's commission for the month = ₹14,800 on top of basic salary.

4. Incentive System – Production (Piece Rate)

Particulars	Value
Actual Units Produced	1,250
Standard Units	1,000
Rate per Unit	₹20
Bonus Rate (Excess Units)	₹10
Normal Earnings	₹25,000
Excess Units	250
Bonus Earnings	₹2,500
Total Incentive Pay	₹27,500

5. ESOP – Employee Stock Ownership Plan

Particulars	Value
Number of Shares	2,000
Exercise Price	₹50
Market Price	₹150
Gain per Share	₹100
Total Paper Gain	₹2,00,000
Annual Vesting (25%)	500 Shares
Gain per Year	₹50,000

Interpretation: ESOP aligns employee interest with company value growth; paper gains depend on FMV; vesting ensures retention.

6. Productivity Linked Bonus (PLB)

Particulars	Value
Company Profit	₹2,40,00,000
Bonus Declared	5%
Total PLB Pool	₹12,00,000
Number of Employees	600
Bonus per Employee	₹2,000

Interpretation: If organization links bonus to profitability, employees share in success; management can weight distribution by grade or performance.

7. Rewards & Recognition Program Cost

Cost Component	Amount
Cash Awards (5 × ₹25,000)	₹1,25,000
Certificates (200 × ₹50)	₹10,000
Trophies	₹10,000
Event Cost	₹1,00,000
Total Cost	₹2,45,000
Cost per Employee (500 staff)	₹490

Interpretation: Non-monetary recognition plus modest cash awards can have high motivational ROI relative to cost per employee.

8. Netflix Compensation Comparison

Company	Salary	Bonus	ESOP	Total Compensation
Netflix	₹60,00,000	NIL	Optional	₹60,00,000
Competitor	₹30,00,000	₹6,00,000	₹10,00,000	₹46,00,000
Difference		₹14,00,000 More at Netflix		

Interpretation: Netflix's "pay top of market" gives higher immediate cash (attracts talent). Competitor's mix has upside (ESOP) but less immediate liquidity. Choice affects retention risk and perceived security.

9. Total Rewards Model – Annual Package Example

Component	Amount
Basic Salary	₹12,00,000
Variable Pay (15%)	₹1,80,000
ESOP Value	₹2,00,000
Employer PF	₹1,44,000
Insurance & Benefits	₹40,000
Learning Budget	₹25,000
Wellness & Perks	₹10,000
Recognition	₹5,000
Total Annual Reward Value	₹18,04,000

Interpretation: The "cash in hand" (base + variable realized) might be 12,00,000 + variable (if achieved) = up to 13,80,000; total economic cost to employer = ₹18,04,000 per year. Total Rewards view helps compare employer cost vs employee perceived value.

10. Gross Salary Calculation with Allowances

Scenario: Employee Basic = ₹50,000/month. DA = 10% (monthly), HRA = 20% of Basic, Special Allowance = ₹5,000, PF employer contribution 12% of Basic (not deducted from gross), Professional tax = ₹200/month, income tax withheld ignored for simplicity.

Monthly calculations:

Basic = 50,000.

DA = 10% of 50,000 = $0.10 \times 50,000 = 5,000$.

HRA = 20% of 50,000 = $0.20 \times 50,000 = 10,000$.

Special Allowance = 5,000.

Gross monthly pay (before deductions) = Basic + DA + HRA + Special Allowance

= 50,000 + 5,000 + 10,000 + 5,000 = **₹70,000**

Employer PF contribution = 12% of Basic = $0.12 \times 50,000 = 6,000$ (employer cost, not in gross pay typically shown to employee).

Total employer monthly cost = Gross pay + Employer PF = 70,000 + 6,000 = **₹76,000**.

Annualised employer cost = $76,000 \times 12 = 912,000 \rightarrow$ **₹9,12,000**.

Component	Amount
Basic Pay	₹50,000
Dearness Allowance (10%)	₹5,000
HRA (20%)	₹10,000
Special Allowance	₹5,000
Gross Salary	₹70,000
Employer PF (12%)	₹6,000
Total Employer Cost	₹76,000 / month
Annual Employer Cost	₹9,12,000
