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## HUMAN RESOURCE MANAGEMENT – II

In the tourism industry, air and ground transportation, hospitality segment training and development plays an important role. In the effectiveness of organisation, manpower training and development is a very important aspect of HRM. In tourism industry where people to people contact is the main focus of training and development assist a employee for enhancing his efficiency and effectiveness to a particular work area by getting more knowledge and practice. Also training is more important to establish specific skill abilities and knowledge to an employee.

Training and development plays a major role towards achieving goals and maximum profits, it also uplifts the image of an organisation in todays competitive world. Training and development make human resources department more fruitful in organisation.



### OBJECTIVES

After studying this lesson, you will be able to:

- define the meaning of training and differentiate between training and development;
- explain the concept and methods of training and development; and
- identify principal and determinate the compensation/rewards.

### 17.1 TRAINING

Training is defined as a continuous learning process in which an employee will acquire knowlege and professional skill and improve his attitude and behaviour.



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The basic difference between training and development is –

- Training helps to make the employee of a company to be more effective and efficient in his present role and responsibilities.
- Development helps to improve the overall personality dimension of an employee to take up any future assignment if any and better equipped to handle a critical situation.

## 17.2 TRAINING AND DEVELOPMENT

### Training

“If you wish to plan for a year, sow seeds; if you wish to plan for a decade, plant trees; if you wish to plan for a life time, develop men”. This is a Chinese saying which highlights the importance of training human resources. Every organisation needs to have well experienced and trained personnel to perform its activities. Even the most careful selection does not eliminate the need for training, since people are not molded to specifications and rarely meet the demands of their jobs adequately. Thus it is necessary to raise the skill levels and increase the versatility and adaptability of employees. As jobs have become more complex, the importance of employee training has increased. The rapid changes taking place in the volatile and complex business environment have created increased pressures for organisations to readapt their products, services, jobs and skills. In such a situation, training and development is not only an activity that is desirable but also an activity that an organisation must commit its resources to, if it is to maintain an efficient workforce.

Training and development result from a planned organisational effort to help employees improve their work performance. Training is most often identified with teaching and learning of the lower- level or technical workers how to do the jobs they currently hold. Development, on the other hand, usually relates to the process of teaching professional employees and managers those skills which are necessary for both current and future assignments. Training is a learning experience that seeks a relatively permanent change in an individual that will improve his ability to perform on the job. It involves changing of skills, knowledge, attitudes or social behavior by changing what employees know, how they work and their attitudes towards their work. Employee training is the process whereby people learn the skills, knowledge, attitudes and behaviours needed in order to perform their jobs effectively. It is a short-term process utilising a systematic and organised procedure to impart skills for a definite purpose. It refers to instructions in technical, mechanical or service operations.

### 17.2.1 Need for and Objectives of Training

Training is necessary for improving the work performance of employees in every type of organisation. The diversity of the tourism industry places additional

responsibility on the planners and developers of tourism products and services in the area of human resource planning and development. In India more attention is given to development of tourism infrastructure than on development of human resources. We need trained manpower at all levels in all the diverse sectors of tourism industry to handle the tourism infrastructure and serve the tourists. It should be broad based taking into account all the diverse sectors and services rather than hotels and ticketing only. Particular emphasis should be on training the grass-root and supervisory level personnel as they are the ones having direct contact with tourists. Further, skilling and re-skilling is the key to success in tourism sector and all the human resources should have updated knowledge. A ticketing agent, for example, must know the recent fare structures and operating routes of airlines, without which he cannot man the ticketing counter. Training should not only be provided to maintain and improve current job performance but also for equipping the employees with skills required for future job requirements.

A training programme in a tourism organisation aims at serving the following specific objectives:

- To prepare employees for their jobs while on their first appointment, transfer or promotion.
- To keep the employees informed about the latest concepts, technology challenges and competition in tourism sector. Also in additional changing job requirements.
- To prepare a line of competent officers to hold more responsible positions.

The need for a sound and scientific training scheme arises because the experiences clearly demonstrate that a well planned and well executed training programme results in the following benefits:

- Improvement in overall efficiency, work performance and productivity
- Improvement in quantity and quality of goods and services produced
- Economical use of resources and consequent reduction of in the cost of production
- Improve the morale, loyalty and job satisfaction of employees
- Reduction in accidents, wastage, spoilage and damage to machines and equipment
- Reduction in absenteeism and labour turn over
- Reduction in learning time, planning time and supervisory burden
- Adopting employees to new work methods and changing work relationships
- Improvement in personal growth and promotional prospects of employees
- Improvement in customer care



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### 17.2.2 Process of Training

Training efforts generally encompass the following three main phases, all involving human resource professionals and managers. In addition, outside consultants are sometimes brought in to help with various aspects of the process.

- I. The training process begins with the training need assessment phase. It involves identifying training needs, setting training objectives, and developing criteria to evaluate results of the training programme. An analysis of the organisation's training requirements and the degree to which individuals are able to perform those tasks effectively are undertaken.
- II. The next part of the process is the implementation phase. This involves determining training methods, developing training material and actually conducting training.
- III. The final phase of the training process entails evaluating the results of the training in terms of the criteria developed in the assessment phase. Training can be evaluated by measuring participants' reactions to the training, assessing actual training through tests, and measuring actual results on the job.

The above phases of training are discussed in greater detail hereunder.

### 17.2.3 Assessing Training Needs

An effective training process begins with a thorough needs assessment to clearly identify the learning to be achieved. It seeks answers to such questions as: (1) whether training is needed? (2) where is training needed? and (3) which training is needed? For identifying training needs, generally the following analyses are conducted:

1. **Organisational Analysis:** It involves a total analysis of the organisational structure, objectives, its human resources and future plans to identify and understand what type of training shall be required. You have to examine the short term and long term objectives of the organisation and assess the training inputs needed to achieve these objectives. For a proper organisational analysis you need to ascertain whether adequate human resources are available in the organisation, whether their performance is up to the required standards, and whether the existing organisational environment is conducive to fulfillment of tasks.
2. **Task Analysis:** An analysis of the task and its various conditions will indicate the skills and training required to perform the job according to the standard. The standard is set for each job so that it is performed at the desired level of output and quality. The methods and the components of the job have also to be properly designed. The main objective of task analysis is to obtain all

available information about the nature of the task, its components, and standards of performance to be set. This information is useful in designing the employee training programmes, determining what new knowledge or skill is called for and which aspects of the present knowledge and skills need to be modified.

3. **Manpower Analysis:** The total manpower environment of the organisation has to be carefully analysed. It involves a detailed analysis of the internal environment of the organisation, the environment of the sector to which the organisation belongs (government, public sector, private sector, etc), and the environment of the entire economy, which influences the employee training needs of that organisation. An organisation having a skill inventory of its manpower, comprising their education, experience and job performance can analyse the same and draw up a training plan, depending on its projections for future requirements.

#### 17.2.4 Methods of Training

A wide variety of training methods have been evolved and any one method or any two methods can be used by the organisations. There is no training method that is right for all situations. A number of trade-offs must be made when actually making the choice of techniques and putting the training programme together. Selection of the most appropriate method depends on the size of the organisation, the time and money available for training, the requirements of the job, the level of people to be trained, the skills to be learnt and so on. The most popular training methods used by the organisations can be classified as either on-the-job or off-the-job training.

#### 17.2.5 On-the-job Training Methods

Under these methods the principle of learning by doing is used. These methods are briefly described below:

1. **Training on the Job:** The most widely used methods of training take place on the job. Such training places the employees in an actual work situation. It is a method of learning by doing during regular working hours. Usually, a more experienced worker, a supervisor or a special training instructor is assigned the job of training the new worker, the ins and outs of the job. The drawbacks of on-the-job training can be the low productivity and errors made while the employees develop their skills. To avoid drawbacks a scheme of train the trainer is developed in the organisation.
2. **Apprenticeship:** People seeking to enter skilled trades often require undergoing apprenticeship training before they are accepted. Such



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apprenticeship programmes put the trainee under the guidance of a master worker. The method is appropriate for training in crafts, trades and technical areas, especially when proficiency in a job is the result of a relatively long training period like that of pattern designer, tourist coach driver. Also the method of practical training and theoretical training is very successful in apprenticeship scheme.

- 3. Demonstration and Examples:** Here the trainer describes and demonstrates how to do certain work by performing the job himself, going through step by step explanation of the why, how and what of the work he is doing. Demonstrations are often used in combination with lecturers, pictures, text materials, discussions, etc. The emphasis is on know-how.
- 4. Job Rotation:** This method involves the employees being sent through different jobs, thereby providing them a wider exposure to the working of the organisation. It teaches the worker the new skills by rotating from one job to the other. It also helps the organisation to train its employees for promotion which serves as a source of recruitment from within the organisation. This kind of training produces multi skill employees in the organisation.

### 17.2.6 Off-the-job training

The location of off-the- job training may be an organisation classroom, an outside place owned by the organisation, an educational institution or association, which is not part of the organisation. Some of the prominent off- the- job training methods include the following:

- 1. Lectures:** A classical lecture is a situation where an expert gives a talk on a subject to a large audience and the information is communicated to others. Lectures can be used for a very large group to be trained in a short time. These are essential when technical or special information of a complex nature is to be imparted. The lectures are supplemented with discussions, film shows, case studies etc.
- 2. Role Playing:** Role playing is used quite often in the lectures where trainees act out a specific role of a customer or that of a tourist and so on. Trainees have to deal with hypothetical situations dealing with human interaction in a given situation such as client grievance handling etc. It is an effective training method when the objective is an attitudinal change dealing with feelings and emotions. It helps in developing insight into the behaviour of self and others. It gives confidence to the staff to interact with guests and handle the challenge in better ways.

3. **Vestibule Training:** This method is used primarily when large numbers of employees have to be trained quickly particularly during the period of rapid expansion. Under this method new workers are trained for specific jobs on special machines or equipment in a separate room located on the site itself. An experienced workman is entrusted with the job of imparting training. It is often used for training bank tellers, inspectors, airline ticketing staff, etc.
4. **Simulation:** It is an expansion of vestibule training. Simulations are used to provide trainees with physical equipment that resembles to some degree the equipment that is to be used on the job. These devices are usually used when for any reason it is not possible to use the actual equipment or when the cost of actual equipment is large. Such techniques are more economical since they can be used over and over again.
5. **Conferences and seminars:** In this method mutual problems are discussed and participants pool their ideas and experiences in attempting to arrive at better methods of dealing with these problems. It is ideally suited for analysing problems and issues and examining them from different viewpoints. It helps in developing conceptual knowledge, reducing dogmatism and modifying attitudes and sharing valuable information among themselves.
6. **Case Discussion:** Here a real or a hypothetical business problem or a situation demanding solution is presented to a group and members are trained to identify the present problem. They suggest various alternatives for tackling these problems, analyse each one of them, find out their comparative suitability and decide the best alternative. The trainer only guides the discussion. This method promotes analytical thinking and problem solving ability. It encourages open- mindedness, patient listening and respecting others' views.
7. **Programmed Instructions:** This method involves a step -by- step series of bits of knowledge, each building upon what has gone before, and a mechanism for presenting the series and checking on the trainee's knowledge. Questions are asked in a proper sequence and indications given promptly whether the answers are correct. This programme may be carried out with a book, a manual or a teaching aid. It is primarily used for importing factual knowledge such as mathematic, physics, etc.



### ACTIVITY 17.1

A foreign guest arrived at the airport. He had made pre arrangement with the travel agency for ground handling that includes airport pick up, hotel stay and sight seeing in the city. Due to goof up at the tour agency no one went to the airport to receive him. He landed in the hands of unwanted elements who drove



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him to various places in the city. The tourist was deprived of all his valuables including currency. The tourist company owner has to compensate for lapse on their part. He came to know that the subordinate in the company did not follow the procedure.

Explain the lapse at each stage. And how those lapses can be rectify through proper training?

### 17.2.7 Evaluation of Training

A training programme is only as good as the results it achieves and the benefits derived from it by the individual and their organisations. To be sure that training and development efforts are yielding desired results, and the valuable time and money of the organisation on these programmes is not wasted, each training programme should have a provision for evaluation. Any evaluation begins with the criteria which depend on the objectives. Most training evaluation methods seem to fall into one of the following two categories:

1. **Reaction Evaluation:** Opinion surveys of participants or of people who have seen the participants in action, are reaction evaluations. There are several variations of this method. Opinions of trainees, trainers and management are asked about their impressions of training effectiveness. It is intended to know whether they liked the training, whether it paid off, whether the concepts and principles of training were intellectually assimilated by the participants and whether training changed the behaviour of trainees and whether the modified behaviour resulted in improvement in output, quality and lower cost.
2. **Outcome Evaluation:** The main objective of evaluation is in fact served by outcome evaluation. This objective criterion relate to effects of training by measuring specific outcomes. For example, review is made of performance appraisals of trainees following the training programme. After the evaluation is done, the situation should be analysed to find out the probable causes for a difference between the expected outcome and the actual outcome. Consequently necessary precautions should be taken for designing and implementing future programmes to avoid these. The organisation's investment in terms of money, time, energy made in these programmes must be justified by the related outcome in terms of the increased efficiency and effectiveness of the participant.

The main dimensions of training evaluation are the following:

1. **Evaluation of contextual factors:** Training effectiveness depends not only on what happens during training, but also on what happens before the actual training and what happens after the training has formally ended. Evaluation should, therefore, be done of both the pre-training and post-training work.

Pre-training work includes proper identification of training needs, developing criteria of who should be sent for training, how many at a time and in what sequence, helping people to volunteer for training, building expectations of prospective participants from training, etc. Post-training work includes helping the concerned managers to plan to utilise the participants' training, and provide the needed support to them, building linkages between the training section and the line departments and so on.

2. **Evaluation of training inputs:** This involves the evaluation of training curriculum and its sequencing. This assessment covers whether the trainee is able to do what it was stated, if he or she would be able to do in the objectives of the learning unit, course or training programme as a whole. Here the training inputs covering training aids, course contents, the environmental conditions, instructional design etc are the subject matter of evaluation.
3. **Evaluation of training process:** The climate of the training organisation, the relationship between participants and trainers, the general attitudes and approaches of the trainers, training methods, etc., are some of the important elements of the training process which also need to be evaluated. In brief this covers evaluation of how training is conducted.
4. **Evaluation of training outcomes:** This involves measuring the value of a training programme in terms of what has been achieved. This, however, is a complex technical and professional task. Benefits of a training programme are not always obvious and they are not readily measurable. Asking whether the training was worth doing can result in different answers depending upon who is being asked and the criteria and the data being used.



### INTEXT QUESTIONS 17.1

1. What is training? What are the objectives of the training department?
2. What are the different methods you could use in training an employee?
3. What are the key issues that should be addressed in design, conduct and evaluation of training a programme?

#### 17.2.8 Development

Management development programmes are long term efforts to train and develop the manager to his or her fullest potential. Such development is considered a life time process, designed to maximize managerial performance throughout the manager's career. The term development is a broad one. It includes both training and education. It aim at improving the overall personality of an individual. The term is mostly used in the context of executives only. In



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short brief development is a long term educational process utilising a systematic and organised process by which managerial personnel frequently receive assistance in developing the skills, particularly conceptual and human relation skills.

Following are some important distinctions between training and development

Basis	Training	Development
Coverage	Operative workers	Executives/managers
Purpose	Develop individual's specific skills	Develop individual's total personality
Process	One-shot process	Continuous process
Nature	Reactive process	Proactive process
Initiative	From management	From individual himself
Motivation	Result of outside motivation	Result of internal motivation
Focus	Individual's present needs	Individual's future needs

### Objectives

Management development must relate to all managers in the organisation. It must lead to growth and development of the organisation. Its focus should be on future requirements rather than the present requirement. It must be dynamic, qualitative, rather than static replacement based on mechanical rotation. The main objectives of any management development programme are to:

- assure the organisation of availability of required number of managers with requisite skills to meet the present and anticipated future requirements of tourism business.
- encourage managers to grow as persons and in their capacity to handle greater responsibility.
- improve the performance of managers at all levels in their present day jobs.
- sustain improved performance of managers throughout their career.

### 17.2.9 Methods of Development

In addition to the above general methods of training, several specific methods of management development are used in tourism and related organisations which also use many aids and audio-visual devices. The emphasis here is not on skills but on handling of situations, people and managerial problems. The main development techniques are described below:

1. **Case Study:** A case is a written account seeking to describe an actual situation. A good case is the vehicle by which a chunk of reality is brought into the classroom to be discussed over by the class and the instructor. Discussion on a case requires a capable instructor who can evoke and guide intelligent discussion and analysis so that meaningful learning experiences occur. There is no “right” answer or simple explanation in the comprehensive case. The advantages of this method are, more depth of thinking, more perception of situation, greater respect for and consideration for the opinion of others.
2. **Incident Process:** This method is an improvement over the case method. In the usual case method the entire problem is presented to the student, whereas in the incident method only a brief description of an incident is given to provoke discussion in the class. Participants determine what other relevant information has to be sought from the instructor regarding the salient facts and additional information needed to arrive at a reasonable solution or resolution of the case. The method draws the participants into discussion with greater emotional involvement. A unique advantage of this method over the case method is the procedure of obtaining information by questions, one that often must take place in actual business situations.
3. **In-basket Exercises:** This is a simulation training technique designed around the “incoming mail” of an executive consisting of letters, notes, documents, and reports designed to simulate on-the-job reality of the manager’s in-basket. The trainee deals with the in-basket materials as he would in his own job. Usually feedback is provided so that he can appraise his results. The advantages of this method are similar to those of the case methods realism, high involvement and built-in motivation.
4. **Management Games:** These are classroom simulation exercises in which teams of individuals compete with each other in order to achieve a given objective utilising a model of a business situation. In these games, participants are divided into various teams which are placed in competition with each other in resolving some problem, information about which is supplied to all teams. The game illustrates the value of analytic techniques such as the use of mathematical models to arrive at optimum solutions. Participants learn by analysing problems and by making decisions by trial and error process.
5. **Sensitivity Training:** This involves bringing together members in a free and open environment in which they discuss themselves and their interactive processes. This group has no agenda nor externally imposed tasks or objectives. Members of the group are usually told that they can learn much about their own behaviour and that of others and about group behaviour from continuous observation and analysis of experiences in the group. The



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trainer does not act as a discussion leader, but helps group-members to find ways of utilising their experiences for learning. Specifically, it aims at increasing ability to empathise with others, improved listening skills, greater openness, increased tolerance for differences and improved conflict- resolution.

6. **Transactional Analysis:** Transactional Analysis helps an individual in analysis and understanding of human behaviour. In this practice it is assumed that people have three basic state of being-Parent, Child and Adult. These states are manifest in their transaction (dealings) with others through words, manners, and gestures. A transaction a social intercourse between two or more people who encounter each other. In other words, there is a stimulus provided by one individual and a response to that stimulus given by another individual. This stimulus-response relationship between two individuals is a transaction. Transactional Analysis can lead to modified behaviour by providing personal insights.
7. **Under Study:** An under-study is a person selected for one being trained to assume at a future time the full duties and responsibilities of the position presently held by his/ her superior. A fully trained person would through this system be available to replace a manger during the long absence or illness or on retirement, transfer or promotion. Under-study is generally assigned a project which is closely related to the work of the supervisor under whom training takes place.

**ACTIVITY 17.2**

Mr Mohan Parkash works as a front line manager in a five star hotel. His MD has found a large number of mistakes in a random check of the records he maintains. Visitors have registered many complaints for his misbehavior with them and his overall output of work is less than that of his colleagues.

1. How can the MD find out whether his poor work performance is due to inadequate training or other causes?
2. If this investigation reveals inadequate training, what type of remedial training should be arranged for him?
3. How can you ascertain whether this training has improved Mr Parkash's performance or not?

**INTEXT QUESTIONS 17.2**

1. Why is training needed in a tourism organisation?
2. Enumerate four on-the-job training methods.

3. What purposes does management development serve?
4. Enlist five main methods of Management development.
5. What is sensitivity training?
6. What is the difference between training and development?
7. What does an in-basket exercise measure?

### 17.3 COMPENSATION

Employee compensation is an extremely important issue for every manager, and over the years compensation has become a complicated issue. A properly planned and administered salary system is one of the most important aspects of modern management. It is the responsibility of every organisation to pay a fair remuneration to the workers at all levels proportionate to their role and performance in the assigned duties. A well developed salary system would enable your organisation to attract, retain and motivate people of the required caliber and qualifications and also control payroll costs. It is also important for maintenance of morale and discipline, preservation of contentment and initiative among the human resources. From the point of management, wages are significant element of total cost, promote workers' efficiency and morale and determinant of workers' loyalty to the firm. From the point of employee's, wages are the source of their income, a means of their livelihood, an instrument for maintaining and raising the standard of living of workers. A fair compensation mechanism therefore aims at stimulating quantity and quality of work, ensuring reasonable standard of living, maintaining discipline among the workers and preserving industrial peace. However, unrealistic wages paid to workers regardless of their work and worth would spell economic deadlock for the industry. Hence, wage policy should be designed in such a manner as to reconcile the objectives of economy in costs, efficiency in performance and adequacy of earnings essential for maintaining workers' living standard and social status consistent with criterion of equity.

The starting point of salary administration is the determination of salary levels. Pay packet of employees in tourism sector consists of several elements, including basic pay, dearness allowance, house rent allowance, city compensatory allowance, annual statutory bonus and incentive bonus. The basic wage, dearness allowance and annual bonus make up the bulk of average worker compensation. A wide range of statutory and non-statutory institutions influence the determination of basic wages, dearness allowance and annual bonus for workers. By virtue of being the member of an organisation, a worker receives a number of other



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incentives, which are generally referred to as perquisites or fringe benefits. These include house rent allowance; leave travel allowance, provident fund, gratuity, group insurance schemes, pension fund, ESIS, accident and death compensation, leave with pay, education allowance, housing and medical benefits, paid holidays etc. Over the years, some of these have become statutory. These incentives are provided to enhance the employee's motivation and loyalty to the organisation. In many cases these may be the result of a collective agreement at the initiative of trade unions.

Because of its vastness and in most cases, of unorganised nature, the tourism organisations in India offer wages lower to the job requirements, which not only restricts the entry of talent but also leads to constant job hopping and under hand measures like commissions etc. In many cases, due to the small scale nature, the tourism enterprise is a family managed show with low wages offered to the employees. Because of low wages in the industry, exploitation of tourists has also been reported at many places. The attitude is that since a lot of tips and commissions are involved why to pay higher wages? In such situations the ultimate sufferer is the destination, the organisation and the tourists. In today's world of intense competition a thorough professional, result oriented approach is required in this area.

The success of any tourism enterprise depends on the knowledge, skills and attitude of the staff keeping in view the customers' expectations and working for their satisfaction. For developing the right kind of attitudes among your employees you have to devise ways to motivate them for providing quality service. You should therefore, be able to plan, develop and administer an incentive on rewards, efficient system of compensation. Compensation planning has as its primary objective the creation of a system of remuneration which is equitable from the view point of both the employer and the employee. Any salary system should reconcile the interests of workers, management and the community at large. An ideal compensation plan should enable the workers to maintain the standard of living to which they are accustomed, enable the workers and their families to lead a decent living, be commensurate with the capacity of the industry to pay, envisage a scheme of incentives to meritorious workers for their extra-skill, better workmanship, prompt performance etc, be stable but "sufficiently flexible to permit adjustment" according to changing conditions, be simple to explain, understand, operate and control, fit into the general budget of the firm, ensure that the organisation can recruit the quantity of staff it requires, reward good performers, achieve equity in pay for similar jobs, be related to the educational, professional and general abilities of the personnel in different grades and positions. It is called performance award.

### 17.3.1 Factors Determining Compensation

The determination of a rational compensation policy is dependent upon not only the internal issues of equity and job worth, but also on the larger issues of economy and society. In tourism sector the objectives of profitability, efficient service to the tourists, healthy relations with workers, less human resource turnover, better quality of work, high worker motivation are the major considerations governing the compensation policy of a firm. Human inquiry, socio-economic equity and financial capacity are the prime factors determining the designing of a compensation plan. In the light of the objectives explained above, it can be said that the management should give weightage to internal and external factors in designing the employee compensation package. Internal factors mainly include proportion of labour cost to total cost, types of skills required, technological changes and their effect on job content, and individual productivity. External factors include earning capacity and financial position, stability of business and future prospects, conditions in the market, trade union policies and attitude, and prevailing wage levels in the adjoining area and similar industry. Some of these factors are described below in brief :

1. **Productivity:** Productivity represents the contribution of the workers towards increased output. Compensation to workers should be commensurate with their productivity. Wages are fixed and further raised in proportion as the output rate increases. Productivity is the yard-stick of labour efficiency; wages linked would provide incentive and stimulus for quicker, accurate and higher performance. This practice would also help the firm in keeping close grip over costs a careful assessment in this regards is required to avoid labour unrest.
2. **Comparative Wages:** The going rate for a job is its market rate and many will claim that a job is worth what the market says it is worth. Comparative wage levels are used both, by workers and management to prove their contentions in any bilateral negotiation for salary fixation. Salaries paid by competing firms for particular type, quantity and quality of work are compared and categorised and accordingly salary in a given firm is fixed around the comparative levels.
3. **Individual needs:** Salary is often fixed with a view to enable the worker to meet his needs. The salary should be sufficient as to sustain the worker and his family and give the worker adequate purchasing power to possess the goods and services essential to satisfy his needs. Minimum wages legislation has been enacted to ensure that the workers get at least the minimum income to fulfil their needs. Unorganised sector of tourist industry faces problem of minimum wages.



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4. **Cost of living:** Changes in the cost of living determine the availability of real earnings to the workers to meet their needs. Higher cost of living erodes the purchasing power of the workers. Therefore, it is desirable to adjust the wage rates as per the variations in the cost of living. Money wages are not important to satisfy the workers' needs. Real wages matter most. Hence, money wages should be adjusted to keep the real wages intact.
5. **Ability to pay:** Fair wages are linked to the ability of the organisation to pay. Subject to minimum subsistence and assured productivity, salary is to be increased as the organisation's net profitability increases. If its earnings increase beyond the reasonable level of return on capital employed, workers are entitled to share the increased surplus. The fair level of profit should, however, be precisely determined first.
6. **Consumer demand and prosperity:** The salary should be increased in order to step up demand for the goods and eventually to stimulate higher production and employment. But the impact of higher salary is ignored. Arbitrary salary increases may bring about cost-spiral, price-inflation and consequent erosion of purchasing power.
7. **Labour legislation:** The government has always played a significant role in the determination of wages in the organised sector. There are a number of laws to ensure payment of a minimum wage payment on time. The government often appoints wage boards to determine the wages in particular industries. Often labour courts and industrial tribunals are set up by the government to settle wage disputes by adjudication.
8. **Other factors:** In addition to the above factors the salary of an employee is influenced by his or her job performance, the worth of the job in the organisation, wage settlements in the industry, supply and demand for labour, external equity, changing pressures in the market etc.

### 17.3.2 Methods of Payment

You may compensate your employees on the basis of time rate system or payment by results. Various incentive plans are also in use in many organisations. Let us look at these systems in brief.

#### Time Rate System

Under this system the employees are simply paid a predetermined rate per week, or hour for the actual time they have worked. The basic rate for the job can be fixed by negotiations, by reference to local rates, or by job evaluation. Time wages are generally taken to mean the sum total of an hourly rate times the

number of hours worked. The actual earnings due to the worker obviously depend on the time he engages himself with the work given to him. Rates and units of time vary according to the grades of employees. The higher the grade of the employee, the longer is the unit of time. Rate also varies according to the grade of the workers. Higher salary scales are provided for skilled, supervisory and managerial grades. Time scales are laid down for various categories of personnel so that they are compensated in suitable terms for their skill, executive responsibility, administrative decisions which their position calls for.

The payment on time basis is the time-honoured method because of its simplicity and easy intelligibility to the personnel. Wage calculation and administration is easier. It provides a guaranteed minimum remuneration on the basis of time for which they have worked, irrespective of the output turned out by them. Since there is no hurry in increasing the output, workers can focus on quality of product or service.

But the greatest drawback of this method is lack of incentive for higher productivity. It does not make any distinction between meritorious and mediocre workers of a specified category and pays them uniform rates. Due to absence of direct linkage between the output and the rate of wages of worker, time rate wages may not allow exceptional employees to earn as much as they might under other systems. There will also be uncertainty as to the possibility of producing enough to cover the elements of cost including the labour costs. Employees will slow down the rate of production, in order to prolong the work process, which will have deterrent effect on output levels and overhead costs. Time wages will also not provide workers the needed incentive to them to maintain and improve the quality of the output. Close and constant supervision and timely executive action, will become inevitable to secure reasonable contribution from the workers in terms of quantity and quality of the product

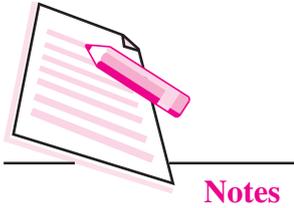
### Payment by Results System

Under this system the pay or part of the pay is related to the number of items a worker produces or the time he takes to do a certain amount of work. Wages are related directly to the skill, effort and results realised by respective employees. Standardised piece of work or job is assigned to the workers and wages are paid on completion of the job concerned with them. The piece rate wage in its simplest form represents a payment of so much per unit processed. In piece work system the payment is made for the amount of work performed and not for the time expended. Job capable of being measured in physical terms is standardised and a rate per piece is agreed upon.

Incentive for higher rate of output is the most marked feature of this method. Merit, skill and talents are directly rewarded according to results scored in performance of the jobs. Output targets call is reached with greater degree of



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**Notes**

certainty by linking wage payments with the jobs completed by the workers. This method virtually eliminates the tendency of go-slow policy on the part of workers because slower the rate of production, lower will be the wages accruing to them. Due to the linkage of wages to output the need and responsibility of supervision would be reduced. As the piece-wage system sustains and stimulates higher production, the cost per unit of output tends to decline with every increase in production. Recording and cost-accounting would be easier. Piece rates simplify the measurement of labour costs and permit ready forecasting of such costs.

However under the straight piece-wage plan, no minimum remuneration is guaranteed. Beginners and average workers will not be able to earn reasonable wages because of their inability to complete the work as fast as their experienced counter-parts do. Since workers are prone to step up quantity as much as possible to earn more wages, quality of work is likely to be ignored. Piece rates cannot be adopted in new processes where production levels are not precisely assessed and determined. Since capacities of workers widely differ, their earnings as per piece-rates also vary widely causing dissatisfaction among them. Trade Unions very often oppose this system on ethical ground that it will lead to rivalry among workers and destroy brotherly feeling among them.

Piece wage method can be justifiably adopted, when units of output are readily measurable; an explicit relation exists between employers efforts and the quantity of output; the job is scientifically standardised, the flow of work is regular and consistent and when breakdowns are the least; quality considerations are comparatively less significant than quantity targets; and it becomes inevitable to forecast accurately the labour costs per unit.

### **Incentive Plans**

Often wage incentives are used for effective utilisation of manpower, which is the cheapest, quickest and surest means of increasing productivity. The only practical and self sustaining means of improving manpower utilisation is to introduce incentive schemes and stimulate human effort in order to provide a positive motivation to greater output. Incentive, of course, means the rise of wages as per increase in out-put per worker. Incentive plans envisage a basic rate usually on time basis applicable to all workers and incentive rates payable to the more efficient among them as extra compensation for their meritorious performance in terms of time, costs and quality. The incentive rates may take the form of bonus or premium. A few important incentive plans intended to include higher output, better quality and careful working on the part of the employees are Halsey Plan, Rowan Plan, Taylors Differential Piece Wage Plan, Gantt's Task and Bonus system, one hundred per cent premium plan, Merrick Multiple Piece rate plan, Emerson's Efficiency Plan and Bedaux points Plan.

From the above point of view, piece rate is the most important incentive scheme. But in practice the word ‘incentive’ is used in the sense of providing extra remuneration to those who show better performance, who complete the work in less time or who has been responsible for reduced costs, etc. Incentive method usually implies the payment of a guaranteed minimum irrespective of the output plus additional remuneration for larger output, time saved, costs reduced and better workmanship. Many incentive plans constitute mostly the combination of Time and Piece rate systems of remuneration. The objectives of incentive plans are to assure a minimum sum of earnings to give sufficient scope for talented workers to increase their emoluments through quicker, economical and superior performance and to establish a reasonable link between labour costs and output.



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### INTEXT QUESTIONS 17.3

1. What constitutes workers’ compensation?
2. What are the factors that determine the compensation package for employees?
3. How are workers paid?

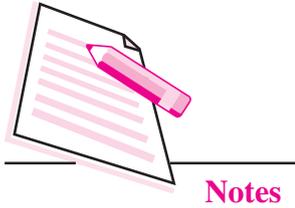


### WHAT YOU HAVE LEARNT

- Training is considered as better policy as, retention has a lower cost output to the company. Since people are not moulded to specifications and rarely meet the demands of their jobs adequately, even the most careful selection does not eliminate the need for training, particularly when jobs have become more complex. It is necessary to raise the skill levels and increase the versatility and adaptability of employees. Training and development is an activity that an organisation must commit its resources to, if it is to maintain an efficient workforce. It involves changing of skills, knowledge, attitudes or social behavior by changing what employees know, how they work and their attitudes towards their work.
- In all diverse sectors and services of tourism industry, trained manpower is needed at all levels to handle the tourism infrastructure and serve tourists. Particular emphasis should be on training the gross-root and supervisory level personnel as they are the ones having direct contact with tourists. Skilling and re-skilling would remain the key to success in tourism sector and all the human resources would need to have updated knowledge. To be sure that training and development efforts yield desired results and the valuable time and money of the organisation on these programmes is not wasted, each training programme should have a provision for evaluation.

## MODULE – 5

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Notes

## Human Resource Management – II

- Every organisation has to ensure that it pays a fair remuneration to the workers at all levels proportionate to their role and performance in the assigned duties. For management wages are significant element of total cost, promoter workers' efficiency and morale and determinant of workers' loyalty to the firm. For the employees, these are the source of their income, a means of their livelihood, an instrument for maintaining and raising the standard of living of workers. A fair compensation mechanism aims at stimulating quantity and quality of work, ensuring reasonable standard of living, maintaining discipline among the workers and preserving industrial peace.
- Comparative lower wages in tourism organisations restrict the entry of talent, lead to constant job hopping, encourage under hand measures like tips and commissions and result in exploitation of tourists. In such situations the ultimate sufferer is the destination, the organisation and the tourists.
- While designing the employee compensation package, management should give weightage to proportion of labour cost to total cost, types of skills required, technological changes and their effect on job content, individual productivity, organisations' earning capacity and financial position, stability of business and future prospects, conditions in the market, trade union policies and attitude, and prevailing wage levels in the surrounding area and similar industry.
- As the success of any tourism enterprise depends on the knowledge, skills and attitude of its human resources, it should plan, develop and administer an efficient system of compensation which is equitable to the employer and the employee. An ideal compensation plan should reconcile the interests of workers, management and the community at large, enable the workers and their families to lead a decent living, be commensurate with the capacity of the industry to pay, reward good performers, be sufficiently flexible to permit adjustments, be simple to explain, understand, operate and control and ensure that the organisation can recruit the quantity and quality of staff it requires.



### TERMINAL EXERCISE

1. How would you determine the training needs of a tourism organisation? Contrast the values of on-the-job training with off-the-job training for tourism managers.
2. Analyse the need for management development. Do you think the executive development programmes now followed in Indian tourism industry are adequate?

3. What constitutes compensation for workers? Which factors determine the pay packet of workers?
4. Describe the merits and demerits of various methods of wage payment?



### ANSWER TO INTEXT QUESTIONS



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#### 17.1

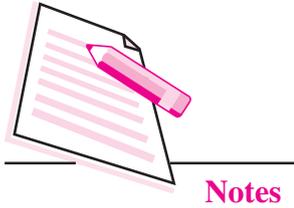
1. Training is defined as a continuous learning process in which an employee acquires knowledge, professional skill and improves attitude and behaviour.
2. There are different training methods like on-the-job training, off-the-job training and role playing seminar, lectures, audio visual techniques etc.
3. Following are the key issues which need to be addressed while evaluation of training programmes
  - (i) Place – Indoor/Outdoor
  - (ii) Audio Visual Aids
  - (iii) Relevant Training Material
  - (iv) Facilities, Time schedule.

#### 17.2

1. The need for training arises because it results in improvement in overall efficiency, productivity, quantity and quality of goods and services produced, economical use of resources, reduction in the cost of production, improved employee morale, loyalty and job satisfaction, reduction in accidents, wastage, spoilage and damage to machines and equipment, reduction in absenteeism and labour turn over, reduction in supervisory burden, adopting employees to new work methods, improvement in personal growth and promotional prospectus of employees and improvement in customer care.
2. Four on-the-job methods of training are:
  - I. Training on the Job
  - II. Apprenticeship
  - III. Demonstration and examples
  - IV. Job rotation
3. The purpose of management development is to ensure availability of required number of managers with requisite skills to meet the present and anticipated future requirements of tourism business, encourage managers to grow as

## MODULE – 5

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persons and in their capacity to handle greater responsibility, improve the performance of managers at all levels and sustain improved performance of managers throughout their careers.

4. The main methods of management development are:
  - I. Case Study
  - II. In-basket Exercises
  - III. Management Games
  - IV. Sensitivity Training
  - V. Transactional Analysis
5. Sensitivity training is about making people understand about themselves and others reasonably, which is done by developing in them social sensitivity and behaviour flexibilities. It is the ability to behave suitably in the light of understanding.
6. Basic difference between training and development is –
  - (i) Training helps to make the employees of a company to be more effective and efficient in their present role and responsibilities.
  - (ii) Development helps to improve the overall personality dimension of an employee to take up any future assignment if any and better equipped to handle the critical situation.
7. The inbasket exercise measures administrative skills that are critical for effective performance in supervisory and managerial jobs. The trainee gets hands in all the job reality of a manager.

### 17.3

1. Compensation for the workers comprises basic pay, dearness allowance, house rent allowance, city compensatory allowance, annual statutory bonus and incentive bonus, leave travel allowance, provident fund, gratuity, group insurance schemes, pension fund, ESIS, accident and death compensation, leave with pay, education allowance, housing and medical benefits, paid holidays etc.
2. In the tourism sector the objectives of profitability, efficient service to the tourists, healthy relations with workers, less human resource turnover, better quality of work, high worker motivation are the major considerations governing the compensation policy of a firm. In the light of these objectives, management should give weightage to internal and external factors in designing the employee compensation package. Internal factors mainly include proportion of labour cost to total cost, types of skills required,

technological changes and their effect on job content, and individual productivity. External factors include the earning capacity and financial position, stability of business and future prospects, conditions in the market, trade union policies and attitude, and prevailing wage levels in the adjoining area and similar industry.

3. Employees are compensated on the basis of time rate system, payment by results or on the basis of various incentive plans. Under **time rate system** employees are simply paid a predetermined rate per week, or hour for the actual time worked. The basic rate for the job can be fixed by negotiations, by reference to local rates, or by job evaluation. The actual earnings of the worker obviously depends on the time he engages himself with the work given to him. Higher salary scales are provided for skilled, supervisory and managerial grades. Under the **piece rate system** the pay is related to the number of items a worker produces or the time he takes to do a certain amount of work. Wages are related directly to the skill, effort and results realised by respective employees. This method can be justifiably adopted when units of output are readily measurable; an explicit relation exists between employers' efforts and the quantity of output; the job is scientifically standardised, the flow of work is regular and consistent and when breakdowns are the least; quality considerations are comparatively less significant than quantity targets; and it becomes inevitable to forecast accurately the labour costs per unit. Often **wage incentives** are used for effective utilisation of manpower, which is the cheapest, quickest and surest means of increasing productivity. Incentive plans envisage a basic rate usually on time basis applicable to all workers and incentive rates payable to the more efficient among them as extra compensation for their meritorious performance in terms of time, costs and quality. The incentive rates may take the form of bonus or premium.



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