

## HRM PRACTICES IN EMPLOYEE DEVELOPMENT, EMPLOYEE – TURNOVER, RETENTION AND EFFECTIVE COMPENSATION

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### ABSTRACT

*Man is potentially a dangerous Animal, as well as an extremely useful Animal. Therefore Human Resources or manpower or womanpower, by whatever term you may call it, can make or mar any organization in which they work. Man is an asset to the organization where he works, if he is efficient and useful to his organization. At the same time, man is a liability to the organization where he works, if he is inefficient in his functioning or indulges in violence in his work premises, damaging the properties of his organization. Therefore, human resource is both potentially useful and disastrous to any organization.*

*This article explains what are the various HRM practices that will develop the Human Resources like Training and Development, Recruitment and Selection, Performance Appraisals, Compensation, Industrial or Employee Relations etc.,*

*Also this article explains what are the voluntary and involuntary turn-over or separation of employees, how to retain the best brains or the most-talented employees by awarding and rewarding attractive compensation packages etc., in addition to explaining the various ways of employee development like job enlargement, job-rotation, job-transfers, promotions, lateral and down-ward moves, temporary assignments within and outside the country, mentoring, sabbaticals etc.,*

*Last but not the least, it explains the employment-at-will doctrine, and the limitations on the employers' right to fire employees, wrongful discharge suits in courts and the compensation by courts etc., which will be educative and interesting to the readers.*

### Introduction

Man is an asset to any organization as long as he is useful to the organization and remains efficient throughout his career. At the same time, if man is inefficient and not useful to the organization, he or human resource in general becomes a liability to the organization. Therefore, human resource is both potentially useful, as well as potentially disastrous to any organization.

We would like to remind you of the recent violence in Maruti Suzuki India Limited's one of the unit at Manesar premise, where the General Manager of HR had been burnt alive by the mob violence of workers which resulted in loss of its property by damage to the extent of Rs.10 crores, loss due to loss of production to the extent of Rs.1400 crores in the 10-day lock-out / closure period. 500 regular employees had been served with termination notices, 500 contract workers have been fired.

So, the workers or the Human resources, when go berserk and violent, result in disastrous consequences to the plant and the people, and ultimately the Consumers at large. In order to compensate these losses, the plant management of Maruti Suzuki India Limited at Manesar Unit had already planned and evolved a strategy to increase the sale price of their products / cars by 1.5per cent which ultimately fall upon the shoulders of consumers and thereby increases their financial burdens. This is just one example to explain the fact that how human resource can be disastrous and therefore remain a liability to the organization, if its manpower goes berserk or becomes violent inside the factory premises.

Now, just look at the other side. The company Xerox which was in deep debt to the extent of \$ 17 billion in 2000 and whose share price plunged from a high \$ 63 to a low \$ 4, made a remarkable comeback in 2003 when its profits soared to \$ 222 million. In just 3 years, the company made a remarkable turn- around.

Similarly, look at JAL (Japanese Air Lines), which was in deep red until September 2011. The company was bankrupt with its mounting debt of Rs.1, 28,000 crores. Its share price fell sharply. But when a capable and a brainy man, the most celebrated entrepreneur of Japan by name INAMORI took over JAL in October 2011, the company turned around remarkably after his take-over. What is the magic of this remarkable turnaround of JAL after his take-over? This brainy man applied his brain and found out that JAL suffered from Unprofitable routes and a bloated workforce and removed these obstacles or problems subsequently. The result is JAL started earning profits thereafter. There is a famous saying which goes; a problem properly understood is already half –solved.

Now, a basic question is raised – how all these remarkable turnaround are possible in a company's history? The answer lies in HR policies like customer – focused and employee-centred core values such as social responsibility, diversification of its products, world-class quality of its products, a passion for innovation, speed, adaptability, etc., HR helps the company in difficult times by retaining the best brains or the most talented employees from leaving the organization by offering a very good cash-bonus compensation package to the employees who stay in the organization. HR ensures that the talented employees get proper training, job assignments and Job-rotations, learning experiences, prepare good leadership positions for them, give them a good working environment etc., which ultimately usher in high performance of the company.

### **What is Human Resource Management ? (HRM)**

Now, coming to the point, HRM refers to the policies, practices and systems that influence employees' behaviour, attitudes and performance. HRM involves people practices.

HRM practices include:

- a) Analyzing and designing work
- b) Determining the Human Resource needs ( ie., HR Planning)
- c) Attracting potential employees (ie., Recruitment)
- d) Choosing employees ( Selection)
- e) Teaching the employees how to perform their jobs and preparing them for future. (ie., Training and Development)
- f) Rewarding the employees (Compensation)
- g) Evaluating their performance (Performance Appraisal)
- h) Creating Proper work environment (Employee Relations)

The above HRM practices are effective in supporting the organizational goals and objectives. And, an effective HRM enhances the company performance by contributing to employee and customer satisfaction, by improving the productivity, creates an Innovative culture and builds a Good reputation to the Company in the eyes of the firm's community or the public in general.

**The Employee Development:**

a) It is revealed that 75per cent of the company's value is comprised of the Intangible Asset called Intellectual Capital, which refers to the creativity of the employees, the productivity, and Service provided by the employees.

b) Many firms have developed advanced systems like Advanced manufacturing Technology. JIT (Just-in-Time concept of Inventory Control), TQM (Total Quality Management) etc., in order to survive and complete with other organizations. But these systems have to be run by its people or human resource.

c) Therefore, HRM assesses the employee skills required to run these systems, and Develop the skills of such employees by employing some of the HRM practices such as Selection and Training.

d) As we have already seen, HRM practices fall broadly as follows :

- i) Job analysis and Job design
- ii) Recruitment and Selection
- iii) Training and Development
- iv) Performance Appraisal
- v) Pay structure / Incentive / Benefits
- vi) Labour / Employee Relations

e) Whereas Training facilitates the employees to learn job related knowledge and skills, their behavior / attitude / aptitude etc., Development refers to the acquisition of knowledge, skills and behaviors that improve an employees' ability to meet changes in job requirements and in client and customer demands. For instance, many firms which emphasis on quality of its products now-a-days go in for TQM or Total Quality Management Programmes, which require training and developing its employees on its TQM philosophy and methods and skills that ensure quality of its products.

f) The importance and the need for training and development lies in a Chinese proverb which says, if you offer a fish to a hungry man to eat, momentarily it will satiate his hunger. But, if you train and develop a man as to how to catch a fish and thereby train him to be a professional angler, he'll survive forever by making the field of angling as his profession forever. Such is the importance and the need for training and development. It gives man a permanent livelihood, and a permanent profession to survive.

**Pay Structures / Incentives / Benefits and Compensation to Employees:**

- a) A high level of pay and benefits by a company, when compared to its competitors will attract and retain high quality employees or the best brains. But the company must be cautious to avoid the increase in over-all labour costs. Hence, it is better to link the pay with performance of its employees.
  
- b) A Research on pay packages by various firms revealed that high tech companies went in for compensation systems in a higher percentage linked to incentives, and a lower percentage to salary and benefits. On the other hand, other traditional companies went in for a lower percentage of total pay linked to Incentives and a higher percentage to Benefits.
  
- c) In the late 1970's when Chrysler Corporation was completely bankrupt, the then president of Chrysler Lee Iacocca, the Japanese Management Giant / Guru asked the unions to opt for either wage or concessions and not both, with a view to turn around the company. The unions readily agreed for Concessions in return for sharing profits of the company and their representative on the management Board. Within a few years, the labour / Employee relations improved remarkably and the unions support to the management allowed the company to pull itself out of bankruptcy and record profits thereafter.
  
- d) Recent research started examining how companies develop sets of HRM practices that maximize performance and productivity. A study on Automobile Assembly plants found out that the firms which exhibited both high productivity and high quality used the best HRM practices such as –
  - i) Emphasis on recruitment and Hiring
  - ii) Compensation package tied to performance of employees.
  - iii) Low level of status differentiation.
  - iv) High levels of training to both new recruits as well as experienced employees
  - v) Employee participation by forming work-teams and problem solving groups.
- e) Another study revealed that the firms which practice the best HR practices such as selection and training, contingent pay, performance appraisal, attitude surveys, employee participation, Information sharing, etc., resulted in high levels of productivity and the best financial performance and a very low employee turn-over.

**The various ways of Employee Development:**

The following are the various ways that job experiences can be used for employee development:-

- i) Enlargement of the current Job.
- ii) Job rotation
- iii) Job Transfers
- iv) Promotions
- v) Downward moves
- vi) Temporary assignment with other companies
- vii) International assignments for MNC employees.

Job enlargement involves adding challenges or new responsibilities to employees' current jobs, like special project assignment etc,

Job-rotation gives employees a series of job assignment in various functional areas of the company or movement among jobs in a single department. This may help in employees understand the different functions of the company, but it will demotivate the employees if the assignment is demanding special skills which he may lack. Job-rotation should be given to all.

Transfer is the movement of an employee to a different job assignment in a different area of a company. Transfers are mostly lateral moves, i.e., moves to similar jobs with similar responsibilities. In addition to these lateral moves, there are upward and downward mobility also available for Development of the employees.

Promotions are advances into higher positions with higher responsibilities and higher challenges, and more authority than the previous jobs, promotions are generally accompanied by higher pay scales.

Transfers may involve relocation within or outside the country ( in the case of the employees employed in multi-national companies) and often not liked by the employees since it disrupts their normal and daily lives.

A Downward move occurs when an Employee is given less responsibility and less authority. This may involve a move to another position at the same level laterally as a Temporary cross-functional move or a demotion due to poor performance of the employees. These are all devices or tools used by management for the development of its employees. However, employees willingly accept promotions only for their development since it increases their salaries, status and their psychological wellbeing. The employees resent downward moves and transfers, whether lateral or cross functional. Many employees prefer to move out of the company instead of accepting transfers.

Extensions and Sabbaticals also help in development of employees. It occurs when a company allows an employee to take up a full-time operational role in another company, in order to develop him.

Sabbatical is a temporary leave of absence from the company, availed by an employee with full pay and benefit, in order to develop his skills. Sabbaticals let the employees get away from their day-to-day stress of their jobs, in addition to their acquisition of new skills or for personal pursuits like writing a book or novel etc.,

Mentoring or coaching is also the other types of interpersonal relationships which develop the skills of employees.

Mentoring occurs when an experienced, senior employee of a company helps a less experienced employee called the protégé to develop the skills and knowledge about the company and its customers and clientele.

Mentors must be skilful and should be trained first to train the protégés, in order to make the mentoring, a successful programme. Research suggests that mentors provide career support and psychological support to their proteges.

### **Employee Turnovers and Retention:**

There are 2 types of turnover namely

- i) Involuntary Turnover and
- ii) Voluntary Turnover of the employees.

Both these type of turnovers reflect the employee separations from the company.

In the case of Involuntary Turnover of the employees, the organization itself initiates the employee separation even though the employees may prefer to stay in the organization.

Whereas in the case of Voluntary Turnover, such Turnovers are initiated by the employees themselves, even though by the company would prefer to retain such employees.

Despite the companies' best pay packets and compensation packages, some employees may fail to meet the company's performance standards or may even violate the company's rules while on the job. In such cases, the employers who got the right to hire will fire also such employees.

In the absence of a specific contract between the employer and employee, they can sever their employer – employee relationship at any point of time, due to any cause whether it is good cause or a bad cause. This policy has been referred to as the Employment-at-will doctrine.

Now-a-days, employees sue the employers in court of law and seek compensation if they are wrongfully discharged from employment by the employer.

In such legal suits, the Judges favourably considered the employees if their past performance is good and they had served a long period in the company with pay raises and promotions, and the judges presume that there is an Implied contract between the Employer and employee to dismissals only for a Good cause, even if the company's manuals cite an Employment-at-will doctrine or relationship.

Therefore, such wrongful discharge suits try to establish that:-

i) There is either a violation of Implied contract (i.e., the Employer acted unfairly or unlawfully)

Or

ii) There is a violation in public policy. (i.e., the employee was terminated because he refused to do something illegal or unethical or unsafe)

In U.S.Courts, in almost 70 per cent of such wrongful discharge suits, the employees have won their cases and got fair compensation also.

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