

BQOU IV FUNDAMENTALS OF HUMAN RESOURCE MANAGEMENT

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COURSE GUIDE

COURSE GUIDE DESCRIPTION

You must read this Course Guide carefully from the beginning to the end. It tells you briefly what the course is about and how you can work your way through the course material. It also suggests the amount of time you are likely to spend in order to complete the course successfully. Please keep on referring to Course Guide as you go through the course material as it will help you to clarify important study components or points that you might miss or overlook.

INTRODUCTION

'Fundamentals of Human Resource Management' is a preparatory course for open entry learners who intend to pursue postgraduate programmes in Master of Human Resource Management (MHRM). This course provides learners with the fundamental knowledge in the human resource management area.

STUDY SCHEDULE

Based on the OUM standards which require students to allocate 40 hours of learning for each credit hour, this course requires 120 learning hours. The estimated time is shown in Table 1.

Table 1: Estimation of Time Accumulation of Study Hours

STUDY ACTIVITIES	STUDY HOURS
Briefly go through the course content and participate in initial discussions	3
Study the module	60
Attend 3 to 5 tutorial sessions	10
Online Participation	12
Revision	15
Assignment(s), Test(s) and Examination(s)	20
Total Study Hours Accumulated	120

LEARNING OUTCOMES

This course focuses on the fundamental theories and concepts of human resource management. Discussion and emphasis on this course comprises five main sections, implying the aspects of key activities and approaches to managing employees in an organisation, which are related to the human resource planning and recruitment, performance appraisal, human resource development, compensation, industrial relations, and occupational safety and health.

By the end of this course, the learners should be able to:

- (i) Explain the essential theories, concepts, policies and practices in the overall human resource management areas;
- (ii) Describe the steps involved in human resource planning, recruitment and selection processes;
- (iii) Prepare a blueprint of performance appraisal system, and training and development programme;
- (iv) Explain the essential elements in the compensation and incentives plans; and
- (v) Discuss the important components of workplace well-being.

COURSE SYNOPSIS

Synopsis for each topic is as follows:

Topic 1 Introduction to HRM

Topic 1 presents an overview of human resource management. The topic discusses the importance of managing human resources in an organisation, roles of human resource department, human resource management functions, and the current issues and challenges. The topic also presents the compulsory legal framework that affects human resource management practices in Malaysia such as, the Employment Act 1955, the Industrial Relations Act 1967, and the Trade Unions Act 1959.

Topic 2 HR Planning and Recruitment

Topic 2 discusses the human resource planning process and activities involved in the recruitment. The topic explains how an organisation tracks the movement of its employees into, within and outside of the organisation. The topic also explains how an organisation selects qualified candidates to join the organisation.

Topic 3 Evaluating Performance and Developing Employees

Topic 3 explains the functions of performance appraisal and human resource development. In particular, the topic explains the essential steps in evaluating employee performance, the information sources accessible, the methods available, and the common errors made by appraisers. Basic theories and principles of learning and training, the roles and the process of training and development are also explained in the topic. Finally, the career development activities are introduced. The explanation focuses on the career development phases, the process of designing career development programmes, and the relationship between the choice of career and a person's personality which is based on Holland's personality model.

Topic 4 Compensation and Incentives

Topic 4 describes the vital organisation's tools to motivate and sustain the employees' performance. The discussion focuses on the importance of providing compensation, benefits and incentives to the employees, the types of compensation, benefits and incentives, the advantages of incentive programmes, and the characteristics of an effective benefits and incentive plan.

Topic 5 Workplace Well-Being

Topic 5 discusses the important components of workplace well-being: (i) good relationships between employers and employees, and (ii) safe and healthy work environments. The discussion focuses on the employees' and employers' rights, and issues related to employees' work discipline. Apart from that, the topic elaborates the issues of misconducts that occurred outside of the organisation and the techniques used to solve the issues. Disciplinary and trade unions matters, alternative conflict resolution procedures, and the procedure for termination of contract due to misconduct are also discussed in the topic. The topic ends with the discussion on occupational safety and health.

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EVALUATION METHOD

Refer to the CAPL website at <http://capl.oum.edu.my> for evaluation method for this course.

Topic 1 ► Introduction to Human Resource Management

LEARNING OUTCOMES

By the end of this topic, you should be able to:

1. Explain the concept of human resource management;
2. Identify four significance of human resource management;
3. Describe five key functions of human resource management;
4. Discuss eight issues and challenges related to human resource management; and
5. Discuss eight legal acts that influence human resource management.

► INTRODUCTION

“From the amazing economic experience two decades ago, among countries that before had limited “natural resources” to a country, it is clear that the most important resources to a country are talent, skills, creativity and the effort of its people. Brain power is a source that is much more valuable than natural resources. People are our main resources. Without doubt, in the 1990s and beyond, Malaysia must give its utmost attention towards the growth of this very crucial resource.”

VISION 2020 - YAB Tun Dr Mahathir Mohammad,
Former Prime Minister of Malaysia

At one time, many observers were in the opinion that machines will take over the functions and roles of employees in an organisation. However, the opposite happened. Like what Tun Dr Mahathir said, human resource is becoming more important in today's organisation, especially in knowledge-based industries, such as software and information services.

The success or failure of an organisation most of the time relies on the knowledge, skills and ability of its employees. Many experts feel that an organisation is able to achieve greater advantage if it has valuable employees which is difficult to acquire, imitate and well-managed.

Human resource management is considered as the most important management functions in an organisation as it is able to obtain and develop dynamic and qualified employees.

EMPLOYMENT ACT (AMENDMENT) 2000

SETTING DATE OF PRELIMINARY ENFORCEMENT

In delivering the power vested by subsection 1(2) Employment Act (Amendment) 2000 [Act A1085], the Minister has established 1 October 2000 as the date the Act to be enforced. Dated 28 September 2000.

DATUK SERI DR. FONG CHAN ONN
Former Minister of Human Resources

The above passage shows the Employment Act (Amendment) 2000, which was announced by Datuk Seri Dr. Fong Chan Onn, Former Minister of Human Resources. The laws and regulations concerning employment and employee relations enacted by the authorities are always amended to fulfill current needs.

These laws and regulations influence policies, activities and human resource management programmes formed by an organisation. The organisation's management team, especially the human resource management unit, needs to create policies and procedures which abide the law, so that all actions taken will be according to the law.

Among the acts that are related to human resource management in Malaysia are:

- Employment Act 1955
- Industrial Relations Act 1967
- Trade Unions Act 1959
- Occupational Safety and Health Act 1994

- Employees' Social Security Act 1969
- Human Resources Development Act 1992
- Employees Provident Fund Act 1991
- Workmen's Compensation Act 1952
- Labor Ordinance Sabah
- Labor Ordinance Sarawak

1.1 DEFINITION OF HUMAN RESOURCE MANAGEMENT

In general, human resource management refers to the process of managing diverse people talent to achieve a common goal. According to Dessler (2001),

“human resource management refers to the policies and practices you need to carry out the people or human resource aspects of your management job.”

Human resource management was also known as personnel management. However, the term personnel management was changed to human resource management in the 1970s, and is widely used today. This development is in line with the changes on an international level, which recognises human resource as a major source in an organisation. Nevertheless, there are still groups that refer to human resource management as personnel management.



EXERCISE 1.1

Essay Questions

1. Give the definition of human resource management.

1.2 IMPORTANCE OF HUMAN RESOURCE MANAGEMENT

Human resource is an important resource to an organisation as technological resources are limited. Therefore, human resource management is essential so as to manage and conduct employees effectively in order to help the organisation achieve competitive advantage.

Human resource management also plays an important role in identifying human resource problems and providing solutions to the firm.

Apart from that, it is able to influence and increase employee commitment at the same time motivate them. This, in hand, will increase organisation’s performance through an increase of manpower productivity.

At one time, human resource management was not related to an organisation’s profit. Due to that, it did not play an important role in the organisation’s strategic planning. Now, human resource management is starting to gain more attention in the development of strategic planning to most organisations, due to the effects of human recognition in an organisation. Moreover, the main human resource management strategy is integrated in the organisation strategy.

Human resource management strategy views organisation strategy on employee, profit and effectiveness as a whole. Effective human resource management activities and programmes ensure an effective organisation; therefore, help an organisation achieve competitive advantage.

Human resource management is also responsible for managing any changes that happen in an organisation due to merging activities, business downsizing and various work force cultures. Figure 1.1 shows several roles of human resource management department.

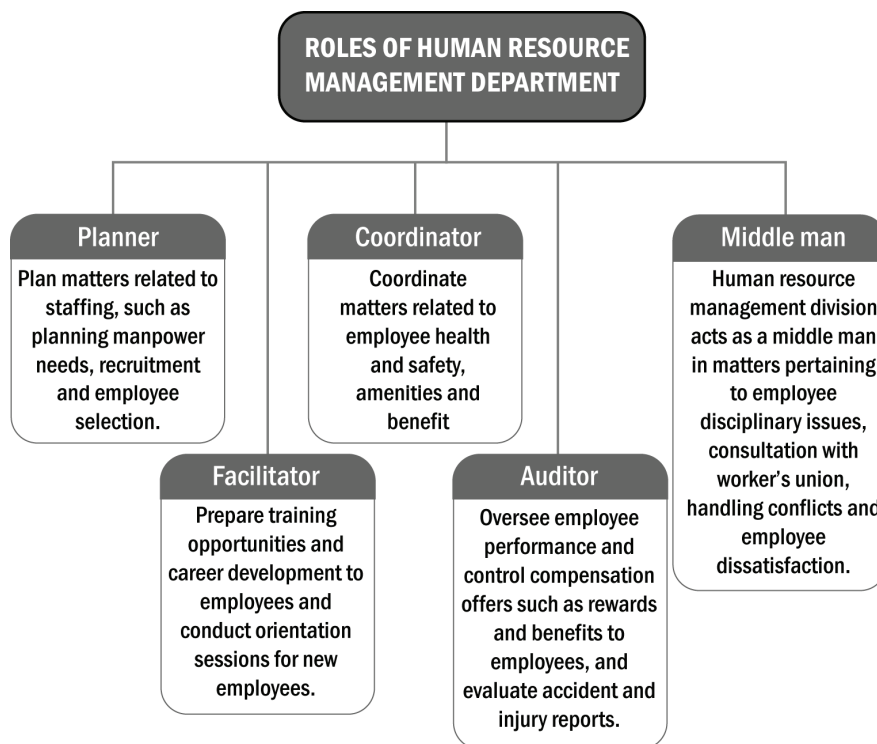


Figure 1.1: Role of human resource management department

An effective human resource management is essential to ensure the organisation's perpetuation and effectiveness. Some of human resource management's contributions in achieving organisation's effectiveness are:

- Helping an organisation achieve its targets.
- Fully utilising skills and ability of the workforce.
- Providing an organisation with trained and motivated employees.
- Increasing employees' job satisfaction.
- Developing and maintaining the quality of employee work environment.
- Delivering human resource management policy to every employee.
- Helping maintain social responsibility and ethical conducts.
- Managing changes to benefit employees and organisation.



YOUR IDEA

If you were the Head of Human Resource Department in an organisation, what should be the important roles of your department?

1.3 BACKGROUND OF HUMAN RESOURCE MANAGEMENT IN MALAYSIA

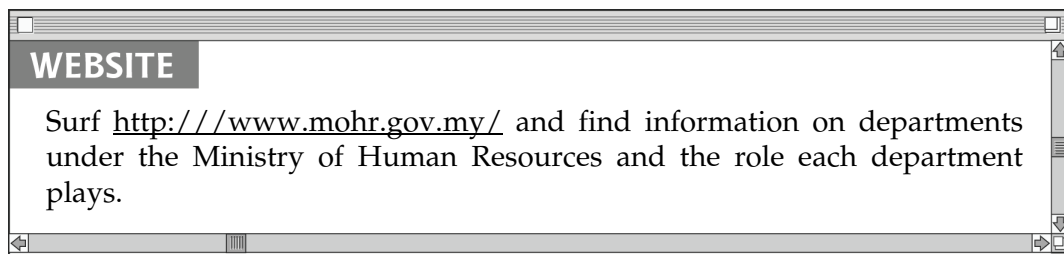
Since the 1980s, management teams in Malaysian firms have shown an increase in the usage of the term "Human Resource Management" to replace the term "Personnel Management". This is in line with the development of human resource management in the international level. Besides that, Malaysian authorities have embraced this change by taking the initiative in replacing the Ministry of Labour with the Ministry of Human Resources in 1990.

In order to achieve Vision 2020 and make Malaysia a developed country by 2020, various efforts were planned to develop the human capital resource. Among them are:

- Rearranging the education system.
- Allocating the Human Resources Development Fund under the Human Resources Development Act 1992.
- Encouraging the involvement of public and private sectors in contributing to education and training.
- Encouraging continuous learning.

In Malaysia, a field of human resource management is expanding swiftly, especially in training and development. This is a result of the government's efforts in encouraging training and development, particularly in the manufacturing sector. A Human Resources Development Fund was created under the Human Resources Development Act 1992 by collecting levy from registered employers. These employers then utilise the fund to train or retrain their employees.

There are a few more acts that can influence human resource management practices in Malaysia. Among them are Employment Act 1955, Industrial Relations Act 1967 and Occupational Safety and Health Act 1994.



1.4 FUNCTIONS OF HUMAN RESOURCE MANAGEMENT

Human resource management functions as a reference towards the implementation of task and responsibility of providing and coordinating human resource in an organisation. Usually, most human resource management functions of a small organisation are carried out by the owner or the operations manager, apart from carrying out other business activities.

A medium-sized organisation usually employs a human resource manager or personnel responsible for conducting all matters pertaining to human resource. Most of the time, the human resource manager does not specialise in any human resource functions.

On the other hand, a larger organisation will have its own human resource management department which is responsible for carrying out all the functions of human resource. Each human resource function is managed by human resource experts specialising in a field.

Human resource management functions are not just about record keeping and updating files. They involve a holistic and integrated approach that includes various activities designed to contribute to the effectiveness of an organisation. Figure 1.2 shows the main functions of human resource management in an organisation.

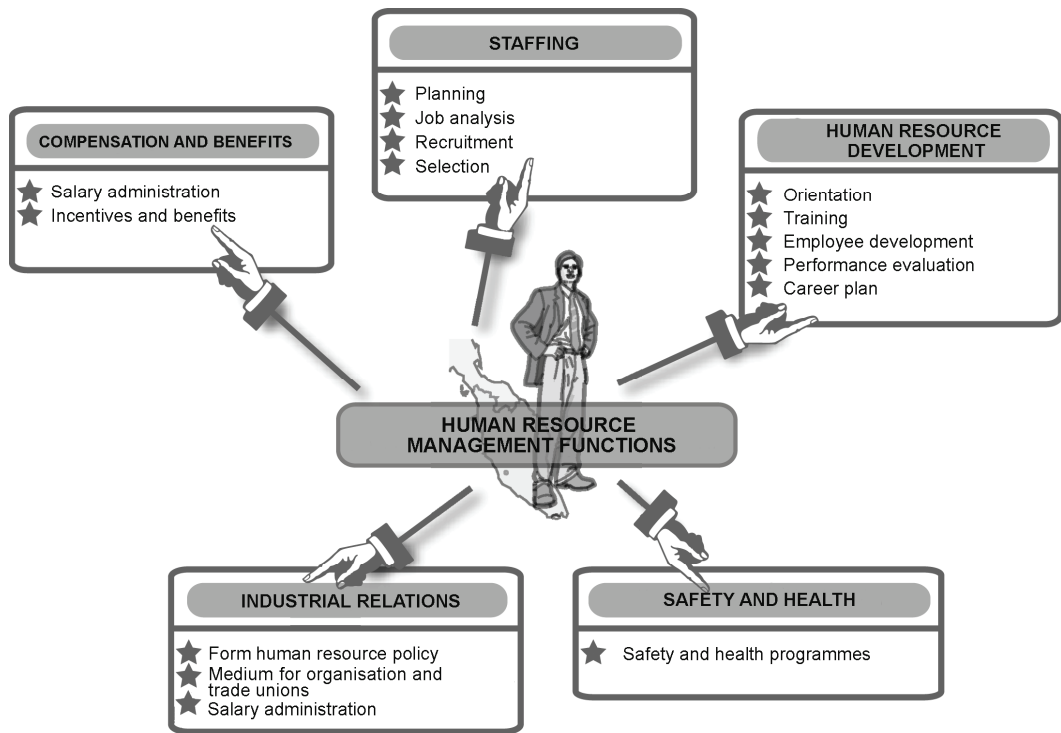


Figure 1.2: Functions of human resource management

(a) **Staffing**

Staffing involves human resource planning process, job analysis, recruitment and selection of manpower.

(i) **Human Resource Planning**

Human resource planning is a forecasting process or a requirement needed by an organisation to achieve its objectives, aside from developing and implementing activities to fulfill organisation needs.

It is used to ensure the organisation has enough workforce and suitable employees, at the right time and place. Human resource planning is important so that there will not be any surplus or insufficient manpower. This is also to ensure employees are able to carry out their duties efficiently.

(ii) **Job Analysis**

Human resource management department conducts job analysis to develop specific requirements for a job in an organisation. It is a process of gathering information on a particular job by identifying the responsibilities and duties related to the post. Information from the job analysis will be used to develop jobs, prepare job details and job specification.

(iii) **Recruitment**

Recruitment is a process of identifying and encouraging interested and potential job candidates to apply for available posts in an organisation. Task detail and job specifications provide information on candidate's eligibility and explanation on job requirements.

(iv) **Selection**

Selection is a process of identifying the most suitable candidate to fill a vacant post whereby the candidate is chosen from a group of applicants obtained from the recruitment process. Some of the procedures usually practised in the selection process are to check the application form and résumé (curriculum vitae), to check the candidate's background, conduct interviews and conduct selective tests such as physical and personality tests.

(b) **Human Resource Development**

Human resource development is a process aimed at producing employees who are well informed, skillful and understand their goals as well as the organisation's goals. In addition, human resource development is designed to help employees contribute positively to the organisation through excellent and satisfactory work performance.

Activities in human resource development include conducting orientations to new employees, identifying, designing and carrying out training programmes to increase employees' skills and abilities. It is also aimed at producing a culture that appreciates and rewards continuous learning efforts.

Evaluating employee performance after training will be executed to monitor the effectiveness of the training programme. Human resource development also stresses on an employee's career development in the organisation by providing new skills and abilities needed in his or her job scope; as well as helping employees develop their own career plans.

(c) **Compensation and Benefits**

Compensation and benefits are part of human resource management functions which are related to rewards, whether it is financial rewards or non-financial rewards. It is given to employees as part of work relations. The human resource management department is responsible for designing and implementing compensation and benefits system to every employee. Aside from that, it also needs to ensure that the compensation and benefits system is fair and consistent.

(d) **Safety and Health**

The human resource management team is more sensitive towards creating a work environment that is able to prevent any safety and health hazards. Hazard refers to a potential circumstance which can cause injury to an employee, therefore lessening its ability. Due to that, human resource management department is responsible to design and implement health and safety programmes to ensure the safety of its employees.

(e) **Industrial Relations**

Industrial relations is also known as employer-employee relations. It refers to the relationship between employer and employee or trade union that represent employees. A harmonious employer and employee relationship ensures the stability and strength of an organisation. Human resource management department needs to act as a medium between an organisation and the trade union. A trade union represents employees in matters regarding collective consultation, disciplinary conduct and employee complaints.



EXERCISE 1.2

Essay Question

1. List **FIVE** functions of human resource management. Elaborate briefly on each function based on your work environment.

1.5 CHALLENGES OF HUMAN RESOURCE MANAGEMENT

We often read in the newspapers about sexual harassments, misconducts and the misuse of power in the work place. These are some of the examples of challenges faced by human resource management nowadays. We will discuss further on the following challenges:

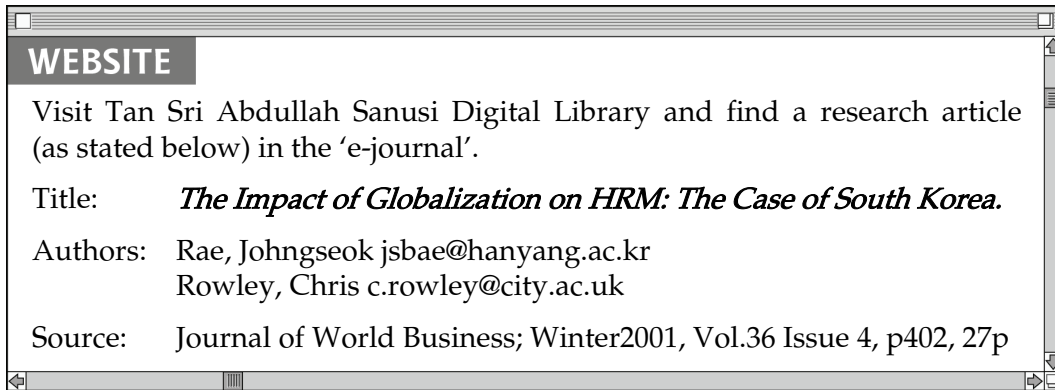
- Globalisation
- Challenges in technology
- Managing change
- Human resource development
- Market reaction
- Cost reduction
- Economic climate
- Legal system

(a) Globalisation

Mergers, takeovers and competition among international industries and businesses are expanding. To remain and compete in the market, more firms are starting to explore the global market. Indirectly, this causes them to face issues such as culture, legal and business practice differences.

An organisation has to identify a human resource manager that is able to:

- perform his duties in a foreign country;
- design training programmes and development opportunities to increase manager's understanding of foreign work practice and culture; and
- make changes to the compensation plan to ensure fair and suitable payment scheme cutting across different geographical areas and different costs of living.

**(b) Challenges in Technology**

Progress in technology has done a lot to influence human resource management. From manual employees to knowledgeable employees, innovation in technology has caused a sudden change in form, structure and employment needs. Knowledgeable employees need to be equipped with skills to enable them to make plans and decisions, identify problems and solve them. In many cases, employees need to be retrained to enable them to carry out responsibilities and their new roles. Therefore, an organisation needs to prepare training and development programmes to help employees increase their skills in order to fulfill the demands of a knowledgeable employee.

Aside from that, the use of human resource information technology has influenced a lot of today's human resource management practices, such as:

- Provide up-to-date information to aid human resource management department in forecasting, overseeing and making decisions.

- Change the method of information gathering on employment; speed up the processing of information and increase internal and external communication process.

(c) **Managing Change**

Technology and globalisation are two main factors that force change to happen in an organisation. An organisation that always maintains its status quo will not be able to compete in a market that is fast developing and competitive. Ordinarily, an organisation has to amend the way it operates to maintain the effectiveness of its business. This can be done through total quality programmes, down sizing, re-engineering, out sourcing and mergers.

Changes can happen reactively or proactively:

- A reactive change is due to external influences
- A proactive change is the manager's initiative to grab opportunities available, especially in a fast changing industry, such as the technology industry.
- However, changes do not happen spontaneously. This is because most of us are resistant towards changes. Therefore, the human resource management department plays a role to help the change process in the organisation.

(d) **Human Resource Development**

An organisation needs to manage its human resource well if it intends to compete in the global market. Human resource that has economic value by way of knowledge, skills and ability gives a huge impact on the organisation. In order to form a valuable team, an organisation needs to strategise to ensure its resources are:

- knowledgeable;
- skillful; and
- experienced.

Staffing programmes must identify, recruit and select quality candidates. Training programmes complements the staffing process to increase employees' skills. In addition, employees also need their own career development opportunities. Therefore, human resource management department needs to arrange suitable programmes to develop its human resource, as well as to ensure employees' duties and needs are flexible, thus allowing for a continuous learning process and employee development to happen.

(e) **Market Reaction**

Fulfilling customer's expectations and needs are important for an organisation to be able to compete in the local and foreign market. Some of the approaches often used to respond to the market are:

- implementing a total quality management programme; and
- re-engineering process.

Both approaches have direct implications to human resource. To ensure the effectiveness of the programmes, the management team needs to make some drastic changes to its human resource management programmes which focus on issues such as:

- employee motivation;
- changes to organisation culture; and
- employee education.

(f) **Cost Reduction**

Some of the important elements to enable an organisation to have competitive advantage and to maximise its effectiveness are cost reduction and increase in productivity. Human resource cost is one of the biggest expenditure components in an organisation, especially organisations that specialise in knowledge and services.

Ordinarily, organisations will have to rearrange their firms to reduce labour costs through activities such as downsizing, out sourcing and mergers.

Most of the time, these actions cause employee surplus, which then forces the management to reduce the number of employees through the process of 'laying off' staff. This issue needs to be handled wisely and fairly by the human resource management team to avoid problems and employee dissatisfaction that might damage the organisation's performance.

(g) **Economic Climate**

Economic environment will influence the financial standing of an organisation, and the organisation must change its business strategy to last and compete in the market. Consequently, an organisation's human resource strategy must also change to be in-line with the business strategy, especially human resource planning.

In the event of economic growth, demand for labour force will increase due to an increase in production. In these circumstances, organisations will experience a situation whereby the labour market is limited.

On the other hand, when an economic depression occurs, the organisation's business is affected and the number of employees needs to be reduced through some approaches such as forced or voluntarily termination and early retirement.

(h) Legal System

Organisations must be sensitive to the legal system of the place where it operates. Any changes and job implementation must be given attention in order to avoid any legal actions. In Malaysia, there are a few acts related to the work environment such as Employment Act 1955, Occupational Safety and Health Act 1994 and Industrial Relations Act 1967.

**YOUR IDEA**

Choose one of the eight human resource management challenges and get information from the human resource manager in your work place on the challenges you have chosen.

1.6 HUMAN RESOURCE MANAGEMENT ISSUES

Apart from facing challenges in managing human resource as discussed in the previous topic, organisations must also be aware of issues relating to human resource management such as:

- Diversity in the work force
- Employee age distribution
- Women and dual income families
- Increase in education level
- Employee rights
- Personal issues
- Attitude change towards work
- Balance between career and family

(a) Diversity in the Work Force

This strategy is able to give a distinct effect on an organisation. Normally, an organisation that practices this particular strategy is seen as an organisation that performs social responsibility, and thus acquires satisfying returns on the products and services offered to its customers. However, diversity in the work force does not affect human resource management in terms of strategic planning, recruitment, training and health. There are no ideal methods or formulae when it comes to managing diversity in the work force

(b) **Employee Age Distribution**

The fluctuation of birth rates causes a change in the employee age distribution pattern in the labour market. For example, in the United States of America, the number of employees (aged 55 and above) that are supposed to retire is increasing and is believed to reach 15.2% in 2006. On the other hand, in the same year, the number of younger workforce (16 to 24) is expected to slip to 16%. This will cause a gap in the labour force for that particular year. An unbalanced employee age distribution in the labour market will complicate human resource management processes, especially human resource planning, recruitment, training and career development.

(c) **Women and Dual Income Families**

Women's involvement in the working world has shown a drastic increase. Statistics have shown that two thirds (2/3) of married couples come from dual income groups. This phenomenon gives a big implication to working couples and employers in aspects of recruitment and placement. In other words, one party's career change will affect the other party's career. For example, if the husband is transferred to another place due to promotion, the wife has to decide whether to follow the spouse or remain in her workplace, thus forcing them to live apart.

Apart from that, most working women have toddlers and they need the services of a nursery. This forces employers especially human resource management department to prepare suitable amenities to fulfill the needs of the women workers as well as arranging certain programmes such as:

- flexible working hours;
- handling sexual harassment issues; and
- equal pay without discriminating gender.

(d) **Increase in Education Level**

The education level of the labour force has shown a drastic increase with the presence of an improved education system. Highly educated employees often have high hopes on employment and opt for careers that are challenging and interesting. Therefore, the management team has to carry out continuous evaluation to ensure employees' talents and abilities are fully utilised, and jobs offered are challenging and employees are given the opportunity to develop their careers.

(e) **Employee Rights**

From time to time, authorities will give serious attention to employee rights. A number of rules and laws have been enacted to ensure the rights of employees are looked after. Some of them are:

- Employment Act 1955;

- Employees' Social Security Act 1969; and
- Occupational Safety and Health Act 1994.

As a result, the human resource management team needs to be careful in any legal actions taken so that the organisation will not face any legal actions.

(f) **Personal Issues**

Personal issues are starting to get attention from employees and their employers. It is the responsibility of the manager and staffs from the human resource management department to manage all employee information well so that employees' personal information is not circulated and misused by irresponsible people.

(g) **Attitude Change towards Work**

Employees nowadays value lifestyle satisfaction that can be achieved by balancing between challenges and rewards rather than the relationship between work and lifestyle. Apart from that, employees are also more attracted to interesting jobs, and the opportunities to use and develop themselves through the tasks appointed to them. This change has affected human resource management to come up with ways on how to manage and motivate employees. Consequently, the roles of human resource management are becoming more complex as opposed to previous situations whereby employees are only concerned with the economic values of their jobs to support their families.

(h) **Balance between Career and Family**

The issue of balance between career and family is more looked into by employees nowadays. Employees are no longer willing to do overtime even though they are offered higher pay. This is because they would rather spend time with their family. As a result, 'family-friendly' concept has been introduced by many organisations by offering more family-friendly options.

Among the family-friendly programmes introduced are part-time jobs, work-sharing, maternity leaves, flexible working time, child tending leaves and telecommunication services. However, these programmes are not well received by single employees as they do not get to enjoy any of the perks and benefits from the programmes.



YOUR IDEA

If you are human resource manager and most of your employees are women, which issue is important to you? Why?

**EXERCISE 1.3****Multiple Choice Questions**

1. In order to enable an organisation to compete in the 21st century, human resource management needs to focus on _____.
 - A. developing production planning
 - B. rationalising scientific management principles
 - C. using the Hawthorne test
 - D. developing a skillful and flexible workforce

2. Below are the main activities of the Human Resource Management Department EXCEPT _____.
 - A. directing operations manager
 - B. giving services, advice and counseling
 - C. developing and implementing organisation policy
 - D. administer recruitment and training programmes

3. The key to quality product and services for an organisation depends on how it manages _____.
 - A. budget
 - B. project
 - C. labour union strictly
 - D. employees

4. The human resource owned by an organisation can be used to compete if the resource is _____.
 - A. paid special attention
 - B. well looked after
 - C. well managed
 - D. given attractive rewards

5. Which of these is NOT one of the main technological effects towards human resource management?
 - A. Technology has changed the methods used to gather information of employee transfer.
 - B. Technology has sped up the employee intake data processing.
 - C. Technology has eliminated supervising roles in employee management.
 - D. Technology has improved internal and external communications process.

Essay Questions

1. List **SIX** challenges faced by human resource management department in achieving competitive advantage.
2. List **FOUR** programmes that can be introduced by an organisation to its employees to help them reduce the conflict between career and family.
3. How can the management team deal with issues concerning women and dual income families?
4. Employees nowadays have shown an attitude change towards employment. Briefly discuss this issue.
5. Effective human resource management activities are important to ensure the effectiveness of an organisation. List **FIVE** human resource management contributions in helping to achieve organisation's effectiveness.

1.7 EMPLOYMENT ACT 1955

? THINK

Before you explore and learn about the legal aspects related to industrial relations, try thinking about what will happen to the industrial relations between employer and employees if there is no legal systems enacted to protect the rights of both parties.

Employment Act 1955 was enacted with the purpose of **protecting employees** from being **exploited** by employers, and became the legal foundation in highlighting the minimum conditions and terms related to work that need to be followed by management.

Employment Act 1955 is a bill related to work and has the most influence in human resource management field in Malaysia.

A few amendments have been made to the act since it was enforced and the latest amendments were made in the year 2000. Employment Act 1955 consists of employees who are contractually bound to the management and:

- their monthly salary is not over RM1,500; or
- not taking into account their monthly fee and work:
 - (i) as a labourer; or
 - (ii) as a supervisor to labourers; or
 - (iii) as a person involved in handling motor vehicles; or
 - (iv) as a domestic employee.

In this chapter, we will only discuss a few important elements concerning industrial relations mentioned in Employment Act 1955 as shown in Figure 1.3.

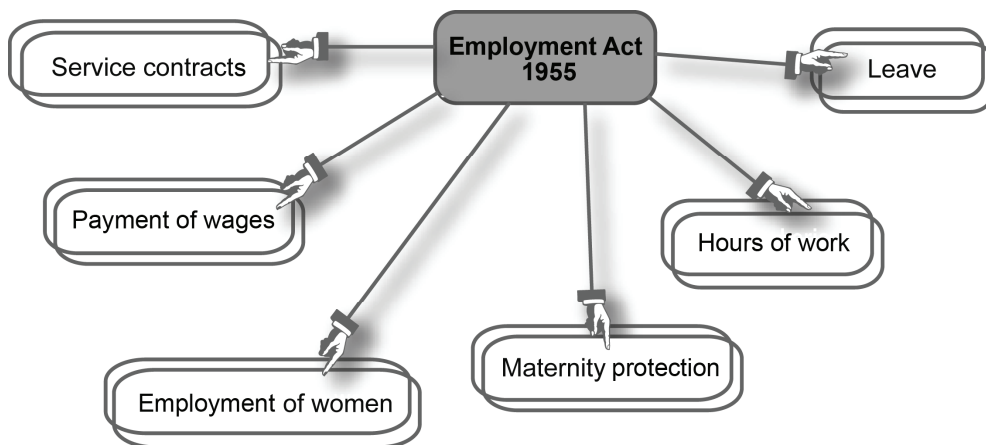


Figure 1.3: Employment Act 1955

1.7.1 Service Contracts

Service contract is an agreement whereby an employer agrees to employ an individual and the individual agrees to serve as an employee. This can be done verbally, in writing, explicitly or implicitly. However, in certain instances, service contract needs to be done in writing:

- work that involves a duration of more than one year; or
- apprenticeship contract that is less than two years.

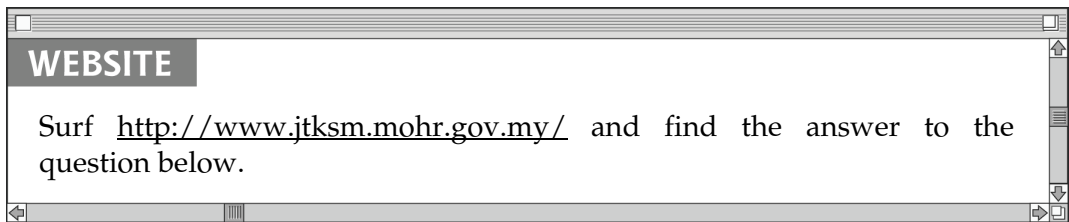
Employment Act 1955 also allocates a few prohibitions towards service contracts such as:

- barring employees from participating in any trade union activities and associations; and
- setting conditions on how employees spend their fee.

Apart from that, the end of service contract notice needs to be stated in the service contract. If the notice period is not set in the service contract, the minimum period of notice that is allocated under the Employment Act 1955 is as shown in Table 1.2.

Table 1.2: End of Service Notice

Employment Period	Notice Period
Less than 2 years	4 weeks
2 years or more, but less than 5 years	6 weeks
5 years or more	8 weeks



Even though a service contract can be made verbally or in writing, what are the terms that need to be given to an employee in writing or before he or she starts working?

1.7.2 Payment of Wages

The period of wages payment cannot extend to more than a month and employers need to pay their employees no later than the seventh day after the last day of payment period. Employers need not make any payments to the employees if the employees are not present at work due to imprisonment or attending court unless their attendance in court is as witness to the employers.

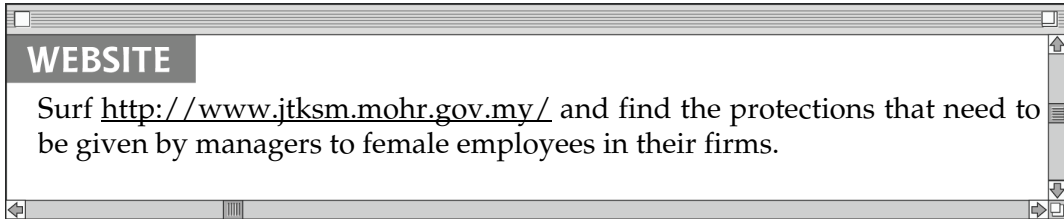


YOUR IDEA

If your wage payment period is from the 14th to the 13th of the next month, according to Empowerment Act 1955, what is the last day that your employer needs to pay your wages?

1.7.3 Employment of Women

According to Employment Act 1955, female employees working in the industrial and agricultural field is not allowed to work from 10p.m to 5a.m. However, employers can apply to the General Manager to enable the female employees to work at these times.



1.7.4 Maternity Protection

Female employees have a right to maternity leaves of at least 60 days for every delivery; and a maternity allowance at the rate of a normal fee or their monthly salary if they have already been employed:

- four months before delivery; or
- total hours of 90 days in the period of 9 months before delivery; or
- informed the employer 4 months before delivery.

However, female employees that have five or more living children are not eligible to maternity allowance. Apart from that, female employees have a right to take 30 days maternity leave prior to or right after the delivery.

1.7.5 Hours of Work

Figure 1.4 shows the work time according to the Employment Act 1955. Employment Act 1955 states that work time cannot exceed 5 hours without being given any rest of at least 30 minutes. For example, if work time starts from 8a.m. to 5p.m., employees must be given rest 30 minutes before 1p.m. or at the latest, 1p.m.

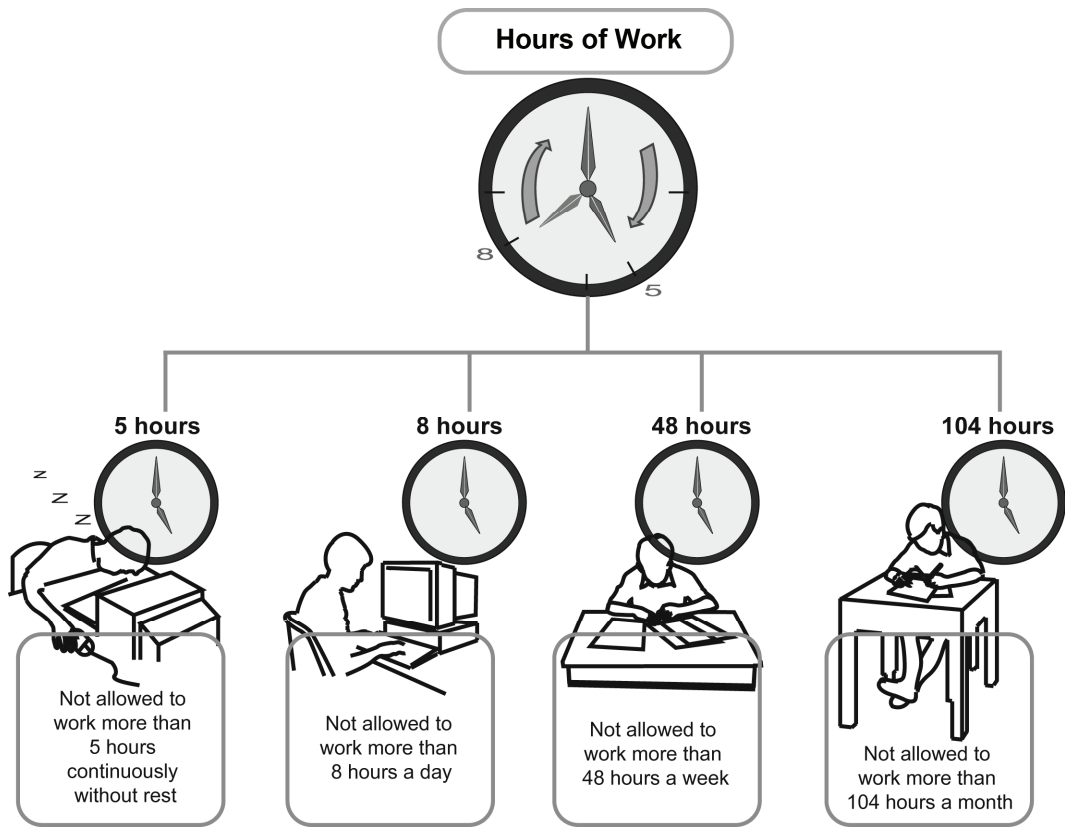


Figure 1.4: Hours of Work

Apart from that, employees cannot be told to work more than 8 hours a day (not including rest period). If an employee’s work time is from 9a.m. to 6p.m (9 hours), he or she needs to rest from 1p.m. to 2p.m. (1 hour).

Total work hours in a week cannot exceed 48 hours. However, employees are allowed to work overtime, that means the number of work hour exceeds normal work hour. The maximum number of overtime allowed to an employee is 104 hours in one month.

WEBSITE

Surf <http://www.jtksm.mohr.gov.my/> and find out three types of eligible unused sabbatical leave during employment.

1.7.6 Leave

Every employee has the right to enjoy a minimum number of leaves under the service contract as enacted in the Employment Act 1955. Diagram 2.3 shows the types of leave enacted in the Employment Act 1955. Among the leaves covered in this act are:

(a) **Weekly Leave**

Employees have the right to enjoy one day leave every week. In certain situations, such as when the workplace is far away and traveling takes a long time, employees are allowed to group their weekly leaves on a condition that the employers ask for permission from the Minister of Human Resource.

(b) **Public Holidays**

Employees have the right to enjoy 10 days public holiday which are set for that particular year. The 10 public holidays must cover these 4 days:

- the National Day
- the Birthday of the Yang di-Pertuan Agong
- the Birthday of the Sultan or the Yang di-Pertua Negeri or the Federal Territory Day
- the Labour Day

(c) **Annual Leave**

Employees have the right to obtain a minimum number of annual leaves according to their service period, as allocated in the Employment Act 1955, in Table 1.3:

Table 1.3: Annual Leave According to Service Period

Employment Period	Notice Period
Less than 2 years	8 days
2 years or more, but less than 5 years	12 days
5 years or more	16 days

Employees who are absent from work without permission from employers and without any appropriate reason, and exceed 10% of working days for 12 months continuously are not eligible to get annual leave for the duration concerned.

(d) **Medical Leave**

The minimum paid sick leave for all employees allocated under the act is as shown in Table 1.4.

Table 1.4: Paid Sick Leave According to Service Period

Employment Period	Notice Period
Less than 2 years	14 days
2 years or more, but less than 5 years	18 days
5 years or more	22 days

Employees also have the right to enjoy 60 days medical leave if they are hospitalised. However, this 60-day eligibility will be reduced to follow the number of standard medical leave that has already been utilised. For example, an employee is hospitalised and before this he or she has taken 10 days of medical leave. Therefore, the right to medical leave due to hospitalisation is only 50 days.

WEBSITE

Surf <http://www.jtksm.mohr.gov.my/> and find out what actions that can be taken towards employees who often take sick leaves and emergency leaves which exceed the limit.



EXERCISE 1.4

Essay Questions

1. When does payment of wages need to be made by employers to their employees?
2. When must a resignation/end of service notice be given if an employee has serviced for two years and five months?
3. If an employee experiences a critical illness that needs him or her to be hospitalised, how many medical leaves is he or she entitled to under the Employment Act 1955?
4. Can a service contract put any conditions on how its employees should spend their earnings? Explain.

1.8 INDUSTRIAL RELATIONS ACT 1967

Industrial Relations Act 1967 is an act that emphasises on **employer and employee relationship** and the trade union that represent the employees.

This act is also intended to prevent and avoid any differences or arguments that arise from this relationship, as well as to deal with any trade issues and related matters. Among the aspects covered in the act include protection for all parties, recognition and workers union scope and collective negotiations and agreements. Figure 1.5 shows the items contained in Industrial Relations Act 1967.

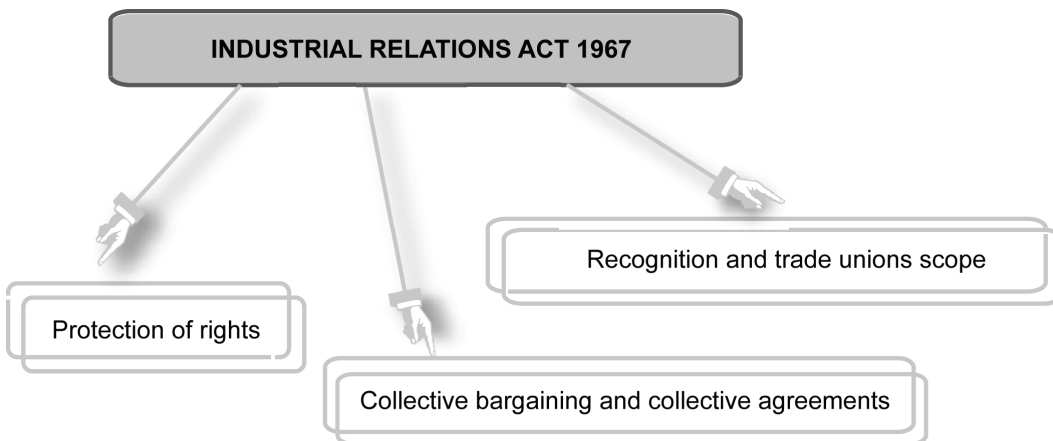


Figure 1.5: Industrial Relations Act 1967

1.8.1 Protection of Rights

Employee or employers cannot be forced or stopped from being involved in workers union activities. Furthermore, management is prohibited from setting any conditions in the service contract that is intended to prevent employees from being involved in any workers union activities. However, employees who plan to join any activities related to the union must first present a written application to their employers to get approval for leave.

1.8.2 Recognition and Trade Unions Scope

Workers union that plans to represent employees must present an application of recognition to the organisation. After receiving the application, management must take these actions in the period of 21 days:

- give recognition; or

- reject the application and present the reasons in writing; or
- apply to the General Manager to verify employee's membership in the union and to give a written notice to the workers union.

If a certain workers union representing an employee has been given recognition, then the other unions intending to represent the particular employee are not allowed to make any recognition claims except:

- years after recognition is given; or
- the union that was given the recognition no longer exists.

1.8.3 Collective Bargaining and Collective Agreements

After receiving recognition from the management, the trade union of workmen can invite the management to hold a collective bargaining in writing together with proposals for a collective agreement. The management has to reply in writing within 14 days from receiving the invitation. Next, a collective bargaining needs to be held within 30 days of receiving the reply of accepting the invitation. It is said that trade issues will surface if even after the interference of authorities; there is still a reluctance to start a collective agreement.



EXERCISE 1.5

Essay Questions

1. State the actions that need to be taken by employers after receiving an application for recognition from a trade union planning to represent their employees.
2. What is the time period allocated, under the Industrial Relations Act 1967, for the management to reply to the invitation given by a trade union of workmen to hold a collective bargaining?

1.9 TRADE UNIONS ACT 1959

A **trade union** under the definition of Trade Unions Act 1959 refers to any **employees or employers merge or establishment** in Malaysia that is involved in certain work or industries whether permanent or temporary.

The purpose of Trade Unions Act 1959 is to:

- encourage industrial relations, amend work terms, social and economic status and increase productivity;
- underline the relationship between employees and employers;
- represent employees or employers in any trade issue;
- manage items related to industrial issues; and
- plan and support any actions such as industrial strike.

A trade union must be registered within one month from its establishment date. However, a period of registration of not more than six months is allowed if it is deemed appropriate.

Among the membership conditions which are allocated in this act are:

- anyone planning to be the member of the union must be above 16 years old;
- members under 18 years old are not eligible to vote in these matters:
 - organising strikes
 - dissolving the union
 - amendment concerning member liabilities and benefits
- members under 21 years old are not allowed to hold any post in the union



EXERCISE 1.6

TRUE (T) or FALSE (F) statements:

1. Anyone above 16 years old can join a trade union.
2. Those under the age of 18 have limited participation in union activities.
3. Those above 18 years old can be officers in the trade unions.
4. The management has the right to stop its employees from joining a trade union activities.

1.10 OCCUPATIONAL SAFETY AND HEALTH ACT (OSHA) 1994

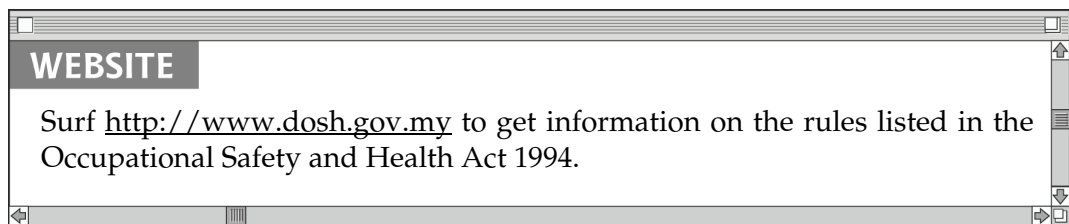
This act was enforced throughout Malaysia for all industries except the armed forces and shipping related employments which are protected under the Merchant Shipping Ordinance 1952 and Merchant Shipping Ordinance 1960 for Sabah and Sarawak.

Among the objectives of this act are to:

- ensure the safety, health and welfare of employees at the workplace;
- protect others that are present at the workplace from any accidents that might trigger from workers' activities;
- ensure the work environment is conducive; and
- enable related legalities be replaced in stages by industrial rules and regulations which are approved and practiced by all in order to maintain and increase the standard of safety and health at the workplace.

This act requires the management to **establish a safety and health committee** if it has 40 or more employees in the workplace or if directed by the General Manager.

Further discussion concerning Occupational Safety and Health Act 1994 will be in Unit 3, Chapter 11.





EXERCISE 1.7

Essay Questions

1. State the purpose of Occupational Safety and Health Act 1994.
2. What are the establishment criteria of a safety and health committee at the workplace as set by the Occupational Safety and Health Act 1994?

1.11 EMPLOYEES' SOCIAL SECURITY ACT 1969

This act aims to **protect the social safety** of employees with the salary of not more than RM2000 by introducing a Social Security Scheme managed by the Social Security Organisation (SOCSO). Initially, SOCSO was a government department which was then converted to a statutory body in 1985.

The Social Security Scheme aims to protect employees from any unexpected occurrences such as disasters at work, accidents and death. This scheme ensures benefits payment to employees and their dependents through two protection schemes as shown in Figure 1.6.



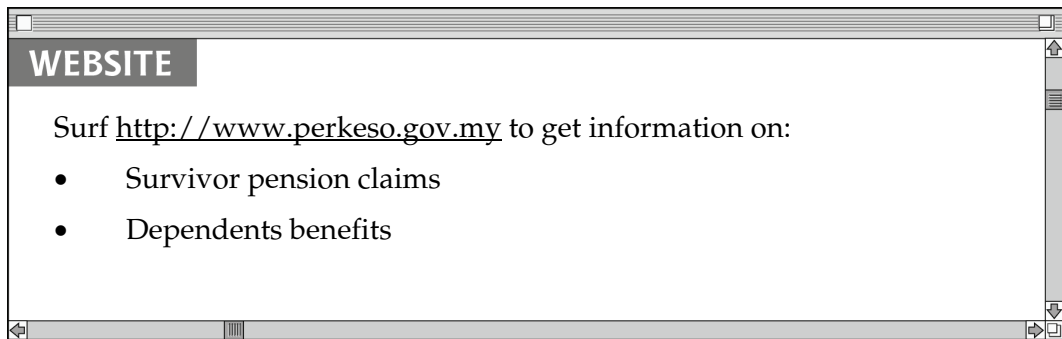
Figure 1.6: Employees' Social Security Act 1969 Protection Scheme

(a) **Employment Injury Insurance Scheme**

This scheme protects employees from injuries at work including industrial accidents, accidents that occur during business related travels, and service illnesses, which are illnesses caused by employment. Under this scheme, only employers are required to make monthly contribution to every employee with the rate of 1.25% of their monthly salaries.

(b) **Invalidity Accidents Pension Scheme**

This scheme gives a 24-hour protection to employees against invalidity and death without considering the cause. Invalidity means a serious disease or disablement of a permanent nature that is either incurable or not likely to be cured, as a result of which an employee is unable to earn at least $\frac{1}{3}$ of what a normally able person could earn. The management must contribute 0.5% of the employee's salary, and the employee must also contribute 0.5% from his or her salary.



EXERCISE 1.8

Fill in the Blanks

1. Employees' Social Security Act 1969 protects all employees that are employed under one service contract with a salary of not more than RM_____.
2. The amount of contributions that need to be made by employers and employees under the Invalidity Pension Scheme are _____.

1.12 HUMAN RESOURCES DEVELOPMENT ACT 1992

This act aims to increase employee training by imposing and collecting human resource development levies, apart from establishing Human Resource Development Councils and Human Resource Development Funds for this purpose.

Every employer registered with the Human Resource Development Council will have to pay a human resource development levy for every employee based on their fee. Registered employees that have made the payment are entitled to apply for financial aid or the services allocated under this act for the purpose of encouraging employee training. Table 1.5 shows the levy rate imposed according to set criteria in the Human Resources Development Act 1992.

Table 1.5: Levy Rate According to Sector

Criteria	Levy Rate Based on Employee Fee
Manufacturing sector with 50 or more employees	1 %
Manufacturing sector with employees more than 10 and exceeding 49 employees with a paid up capital of RM2.5 million and above	0.5%
Service sectors with 10 or more employees	1%

Under this act, the Human Resource Development Fund must be spent on:

- encouraging development and growth of employees' skills by designing, developing, increasing or monitoring training amenities;
- preparing financial aids through loans or subsidies to employers to train or re-train their employees;
- organising or implementing activities or programmes aimed at re-training employees who have been or will be laid off due to downsizing;
- bearing the cost of managing the Human Resource Development Council including payment and allowances for council officers; and
- bearing any administration costs for the Human Resource Development Fund as well as the cost of implementing this act.

Apart from that, the Human Resource Development Act 1992 also allots aspects on the functions of the Human Resource Development Council:

- evaluates and determines the types of levels of training that is in-line with the industry’s human resource needs;
- increases manpower training; and
- establishes the conditions for loans or financial aids.

WEBSITE

Surf <http://www.hrdnet.gov.my> to get information on the roles of Human Resource Development (Berhad) in the human resource development sector in Malaysia.



EXERCISE 1.9

Essay Questions

1. Describe the purposes of the Human Resource Development Fund under the Human Resources Development Act 1992.
2. State the functions of the Human Resource Development Council as set under the Human Resources Development Act 1992.

1.13 EMPLOYEES PROVIDENT FUND ACT 1991

The Employees Provident Fund (EPF) aims to **encourage employee savings for the purpose of retirement.**

The act covers all employees and employers by putting one contribution rate to the employee account in EPF. However, housemaids and foreign workers, except Singaporean workers are not obligated to contribute to EPF. Figure 1.7 shows the contribution rates of employees and employers to EPF.

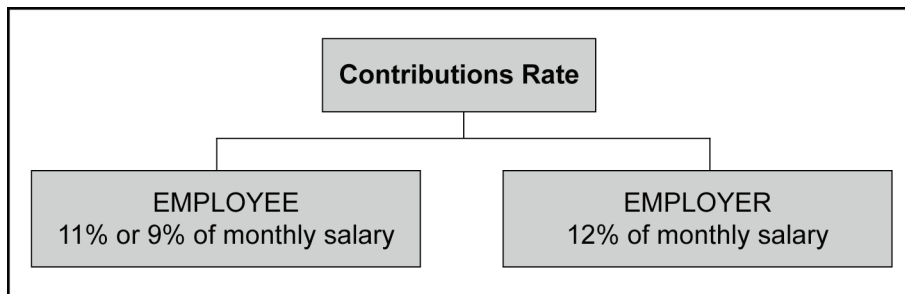


Figure 1.7: EPF contributions rate

The contributions rate allocated under this act is based on the total amount of an employee's monthly salary whereby 11% is from the employee's part, and 12% is from the employer's part. The latest amendment in this act allows employees to choose whether to retain the contribution rate at 11% or to reduce it to 9%.

Employees account in EPF is divided into 2 types for different purposes:

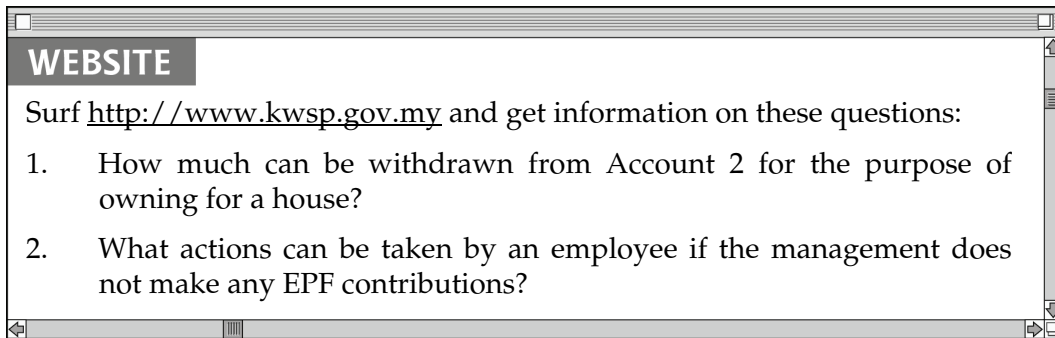
- **Account 1**

The savings in Account 1 is for the purposes of retirement and cannot be fully withdrawn before reach the age of 55 or passed away, or loses his capacity and intends to leave Malaysia permanently.

- **Account 2**

Saving in this Account is meant to help employees to make early preparations for a comfortable retirement. Withdrawals are allowed for the purposes of:

- Attaining the age of 50 years;
- Owning a house – the downpayment for your first house;
- Setting the balance of your housing loan – first house;
- Financing education for you and that of your children's; and
- Medical expenses for you and that of your children's.



WEBSITE

Surf <http://www.kwsp.gov.my> and get information on these questions:

1. How much can be withdrawn from Account 2 for the purpose of owning for a house?
2. What actions can be taken by an employee if the management does not make any EPF contributions?



EXERCISE 1.10

Essay Question

According to the Employees Provident Fund 1991, members' accounts are divided into 2 different accounts with different percentages. State the percentages from the total contributions allocated to each account and explain the purposes of each account.

1.14 WORKMEN'S COMPENSATION ACT 1952

This act aims to **compensate** employees who are injured or contract illnesses caused by their work.

In the early stages, this act covers all manual employees in the private sector, and the non-manual employees in the private sector with a salary of not more than RM500 a month. In 1977, the scope of the act was extended to include non-manual employees in the public sector with a salary of not more than RM400 a month.

The next amendment was made in 1993 where it gave protection to all foreign employees in the private sector, whereas all local employees in the private sector were covered under Employees' Social Security Act 1969. However, in 1996, this act was amended so that it only gives protection to non-manual employees in the public sector with a salary of not more than RM400, while foreign employees were protected under the Foreign Workers Compensation Scheme 1952.



EXERCISE 1.11

Fill in the Blanks

In order to test your knowledge on the legal environment in Human Resource Management, answer the questions below:

1. Halim has worked with CBA Company for 4 years. Therefore, the number of annual leaves he is eligible to under the Employment Act 1955 is _____ days.
2. Employers are prohibited to ask or demand an employee to work more than _____ hours a week.

Multiple Choice Questions

1. Below are items contained in the Employment Act 1955 EXCEPT _____.
 A. hours of work
 B. annual leave
 C. procedure of settling dissatisfaction
 D. payment of wages

2. Below are statements of work time for an employee as allotted under the Employment Act 1955 **EXCEPT** _____.
 - A. working not more than 8 hours a day
 - B. employees must be given a rest period of at least 45 minutes
 - C. working not more than 5 hours without given rest
 - D. working not more than 48 hours a week

3. Members' accounts are divided into 3 accounts under the Employees Provident Fund Act 1991. Account 1 can be withdrawn when the member _____. **(This question does not have an answer)**
 - A. is settling a loan
 - B. is purchasing a house
 - C. is handicapped and can no longer work
 - D. reaches the age of 55 or passed away

4. The purpose of establishing the Human Resource Development Fund is to _____.
 - A. develop an increase employees' skills through training
 - B. prepare start-up business loans to employers
 - C. implement financial crisis reinstallation activities or projects for an organisation
 - D. pay all organisation expenses to acquire business from its competitions

5. Which of these is **NOT TRUE** regarding female employees under the Employment Act 1955?
 - A. Female employees have a right to 60 days consecutive maternity leave.
 - B. Female employees are not allowed to work between 10p.m. to 5a.m.
 - C. Female employees are only allowed to perform light jobs that do not include machineries.
 - D. Female employees are eligible for maternity allowance if they inform the management 4 months before the expected delivery date.

6. Below are the functions of the Human Resource Development Council **EXCEPT**:
 - A. deciding on the conditions in giving aids and financial loans.
 - B. increasing manpower training.
 - C. evaluate and determining types of training that are suitable to industrial needs.
 - D. helping an organisation solve employees disciplinary problems.

Essay Questions

1. Amin has worked in Syarikat Teguh for 5 years. He has been admitted in the hospital for 60 days due to a road accident. How many days of standard medical leave can be taken by him after the accident in that particular year?
2. State **FOUR** public holidays that have been set and be made compulsory in the calendar year.
3. What are the types of leaves conditioned in the Employment Act 1955? Explain briefly.
4. Are all employers and employees required to contribute to the Social Security Organisation (SOCSO)? Explain.
5. Elaborate briefly on the types of scheme introduced under the Employees' Social Security Act 1969.

SUMMARY

In the event of uncertain economic situation, in addition to the shift from industrial community to informative community, the importance of human resource capital in an organisation is becoming more distinct. Therefore, organisations need to update their human resource management strategy to ensure the effectiveness of their business. An effective human resource management is able to merge its diverse and different human resource to achieve the general target of the organisation, at the same time tackle the challenges and issues of human resource management efficiently and effectively.

Overall, it is clear that the legal system does influence industrial relations formed between employers and employees. Industrial Relations Acts that have been discussed in this chapter should be able to give you a comprehensive picture on the importance of having a systematic and organised human resource management system. This can ensure a harmonious working relationship between employees and employers. In addition, this can help an organisation reach competitive advantage in the local as well as the global market.

Topic ► Human Resource 2 Planning and Recruitment

LEARNING OUTCOMES

By the end of this topic, you should be able to:

1. Identify three methods of combining human resource planning and the organisation's strategic planning;
2. Describe the four steps involved in human resource planning;
3. Describe five strengths and four weaknesses of employee recruitment from within an organisation;
4. Elaborate the purpose of employee selection process; and
5. Describe the sources of recruitment and selection process.

► INTRODUCTION

Organisations today and in the future will have to compete with one another based on skills and abilities of their manpower. Therefore, manpower planning or human resources becomes very important so that the present manpower and future employees will be a competitive work force.

Organisations need to be careful when recruiting, selecting, developing and maintaining their employees. To fulfill the requirements when performing human resource management functions, effective human resource planning must be carried out.

In this chapter, we will discuss three processes of a closely related human resource management, i.e. human resource planning, recruitment and selection.

2.1 HUMAN RESOURCE PLANNING

Human resource planning is a process of forecasting and preparing for human movement into, within and out of an organisation.

The aim of human resource planning is to utilise human resource effectively so that the organisation's goals can be achieved. Human resource planning also ensures the organisation has the correct total and type of employees.

2.1.1 Importance of Human Resource Planning



THINK

Through human resource planning, an organisation plans its employees' movement into, within and out of the organisation. If you have your own company, will human resource planning be important to your organisation?

The importance of human resource planning can be seen from different perspectives as shown in Figure 2.1.

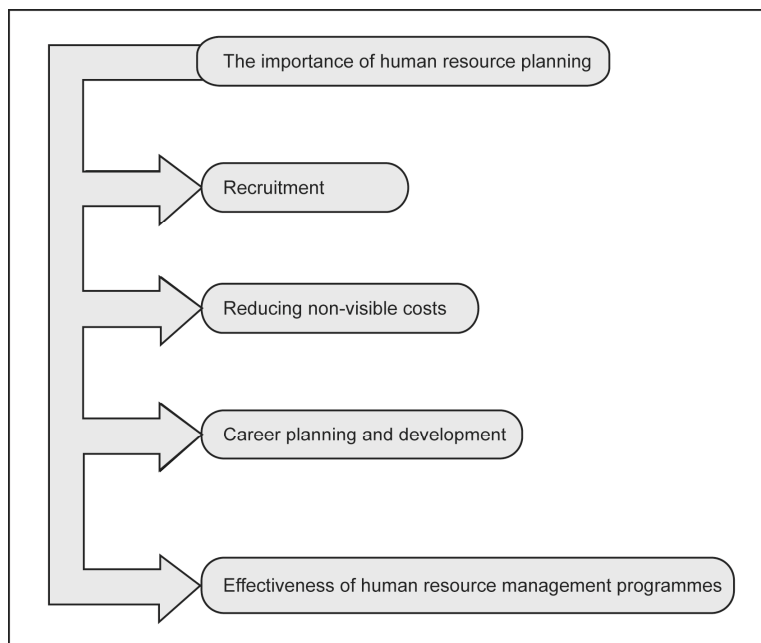


Figure 2.1: The importance of human resource planning

- (a) **Recruitment**
Changes in the employee environment and composition require the manager to be more involved in human resource planning. The manager must plan a more effective recruitment method so that the aim to hire capable employees will be achieved.
- (b) **Reducing non-visible costs**
Human resource requirements that are effectively planned will reduce an organisation's losses. For example, a job vacancy that is immediately filled will not disrupt organisation's operations. Quality of products or services will be maintained and organisation's losses can be avoided.
- (c) **Employee career planning and development**
Any weaknesses in human resource planning will give a negative effect to an employee's career. Employees' opportunities to further themselves in a job and position are limited.
- (d) **Effectiveness of human resource management programmes**
Human resource planning is a basis to standardise human resource management functions. For example, an employee from Section B has resigned, but an employee is being hired to work in Section A even though Section A does not need a new employee. This shows that the human resource management functions are not performed effectively.

2.1.2 Human Resource Planning and Strategic Planning

For the purpose of future organisational planning, a human resource manager must combine human resource planning with the organisation's strategic planning. There are three methods on how human resource planning and strategic planning can be related.

Figure 2.2 shows these methods.

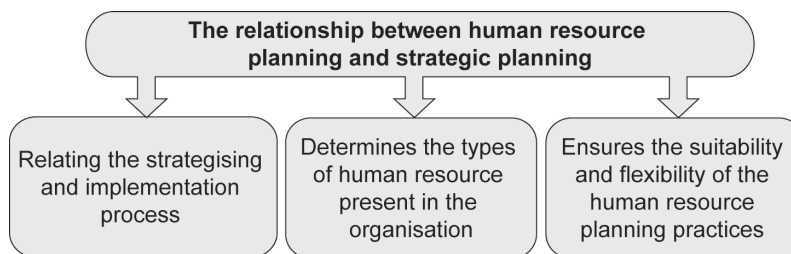


Figure 2.2: Relationship between human resource planning and strategic planning

(a) **Relating the Strategising and Execution Process**

Strategic planning enables an organisation to determine its main objectives and develop a comprehensive plan to achieve the objectives.

Human resource planning is related to strategic planning at the beginning and final stages. In the beginning, human resource planning is the input in the strategising process. Human resource planning will address what can be done. In the final stage, strategic planning and human resource planning is related in terms of their implementation. When the strategies are set, the management must decide on the division of source, including matters involving structure, process and human resource.

The combination of human resource planning and strategic planning is effective when both plans assist each other. In this matter, the top management must understand that decisions made in strategic planning will affect human resource planning, and vice versa. The human resource manager is seen as part of the management team planning the organisation’s strategic planning.

Figure 2.3 shows the relationship between human resource planning process and strategic planning process.

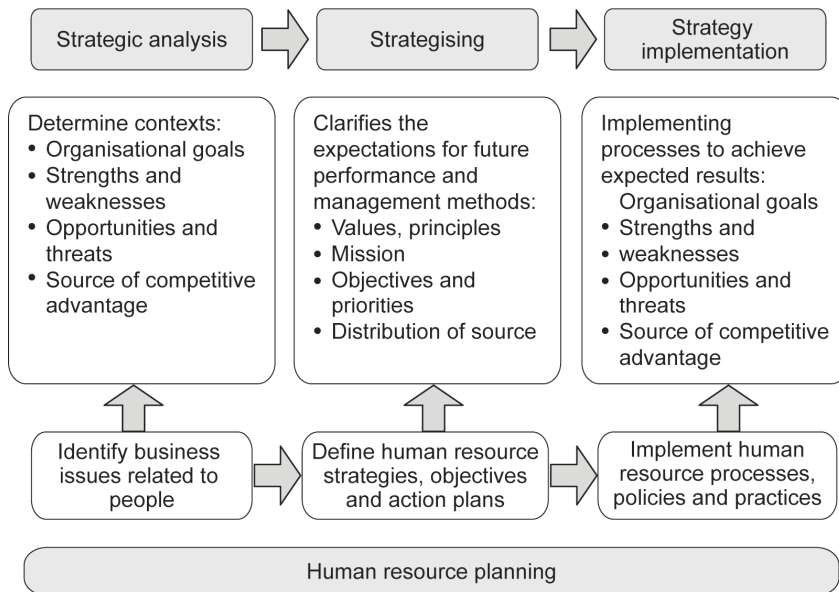


Figure 2.3: The relationship between human resource planning process and strategic planning process

Source: Adapted from James W. Walker (1996) pg 59-77



YOUR IDEA

Referring to Figure 2.3 between strategic planning and human resource planning, which should come first? Discuss with your friends.

(b) Determines the Types of Human Resource Present in the Organisation

The strategies planned can be related to the human resource in terms of employee's basic efficiency. This is because aside from the basic efficiencies, each organisation has its own employee skills and human resource.

Therefore, in every organisation, there are a few categories of employees that help an organisation to be more competitive. These employees can be divided into four categories based on their skills and the strategic values given to them by the organisation. Refer to Figure 2.4 to know how an organisation determines types of employees.

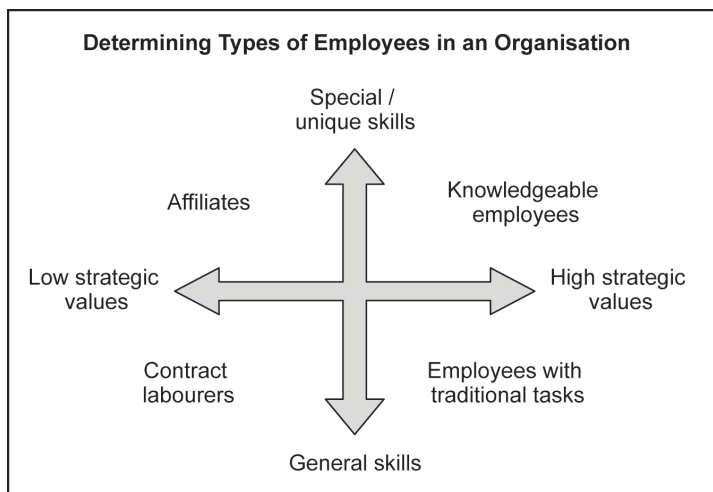


Figure 2.4: Determining types of employees in an organisation

Source: Bohlander, Snell and Sherman (2004)

(i) Employees with Core Knowledge

This refers to employees with special skills and high strategic values. An organisation needs to give a high commitment to these employees by giving them training and opportunities to develop. Examples of employees with core knowledge are accountants and computer programmers.

(ii) Employees with Traditional Tasks

This refers to employees who have skills, but not unique. Usually an organisation does not give much training and opportunities for the employees to develop career wise. Examples of these employees are salespeople and drivers.

(iii) Contract Labourers

This refers to employees that are readily available and with limited tasks, for example, clerks and furniture restorers.

(iv) Affiliates

Affiliates have unique skills but are not related to the organisation's basic strategies. An organisation tries to promote a good relationship with their affiliates and invests in the exchange of information and knowledge. Examples of affiliates are lawyers, consultants and lab researchers.

(c) Ensures the Suitability and Flexibility of the Human Resource Planning Practices

Another way of relating human resource planning and strategic planning is to suit the policies, programmes and practices of human resource planning to the organisation's strategic requirements.

Human resource planning policies and practices must achieve to types of adaptation, i.e. external adaptability and internal adaptability.

- (i) **External adaptability** focuses on the relationship between business objectives and the main human resource efforts. For example, to achieve a low operational cost, the human resource planning policies and practices must support the direction of low operational costs.
- (ii) **Internal adaptability** is a human resource planning practice that is suited between one another to produce a symbiosis relationship. For example, job design and training focus on the same behavioural target, such as efficiency and creativity in work.

When changes taken place in the working environment, human resource planning must be flexible and able to withstand the change. This will increase an organisation's ability to act and change in the efforts to maintain the organisation's competitive advantage. Flexibility can be achieved in two ways, i.e. coordination flexibility and source flexibility.

- (i) **Coordination flexibility** happens through a swift resource change to fulfill new or changed requirements. For example, through human resource planning, the manager can predict economic trends and competitor's pace.

- (ii) **Source flexibility** happens when employees are able to perform many different tasks in many different ways. For example, an employee can work as a team, or switch tasks, and is flexible in nature, in terms of manpower.



EXERCISE 2.1

TRUE (T) or FALSE (F) statements

1. Knowledgeable employees often get more attention from the management in terms of commitment and training opportunities to increase their knowledge and skills.
2. Apart from visible costs and non-visible costs, ineffective human resource planning can cause employees to face problems in planning their careers in the organisation.
3. Generally, contract labourers and temporary workers have a lower strategic value of skills and knowledge compared to knowledgeable employees and fulltime employees.
4. A human resource manager must become a part of the planning committee of an organisation.
5. Human resource planning is related to a organisation's strategies when an organisation is performing a strategic analysis, strategic formation and strategic implementation.

2.1.3 Human Resource Planning Process



THINK

Based on the human resource planning definition in part 2.1 and your experiences in the work place, what are the steps involved in human resource planning?

Through human resource planning, an organisation can forecast and prepare for human movement into, within and out of the organisation. Therefore, the steps involved in human resource planning:

- environmental scanning;
- predicting manpower needs;
- predicting manpower provision; and
- balancing human resource supply and requirement.

(a) **Environmental Scanning**

Environmental scanning systematically detects the external forces that influence the organisation. The external forces or factors often scanned are:

- (i) **Economic factors**, including local and global economy.
- (ii) **Competitive trends**, including processes, services and new innovations.
- (iii) **Technological changes**, including robotic technology and office automation.
- (iv) **Political and legal issues**, including laws and administration.
- (v) **Social matters**, including childcare and education
- (vi) **Demographic trends**, including age, composition and literates.

Aside from scanning the external environment, internal scanning is also carried out. A cultural audit is the scanning of the organisation’s culture and work life quality in an organisation.

(b) **Predicting Manpower Needs**

Based on the human resource planning model as shown in Figure 2.5, there are two types of approach to predict manpower needs in an organisation. The approaches are quantitative approach and qualitative approach.

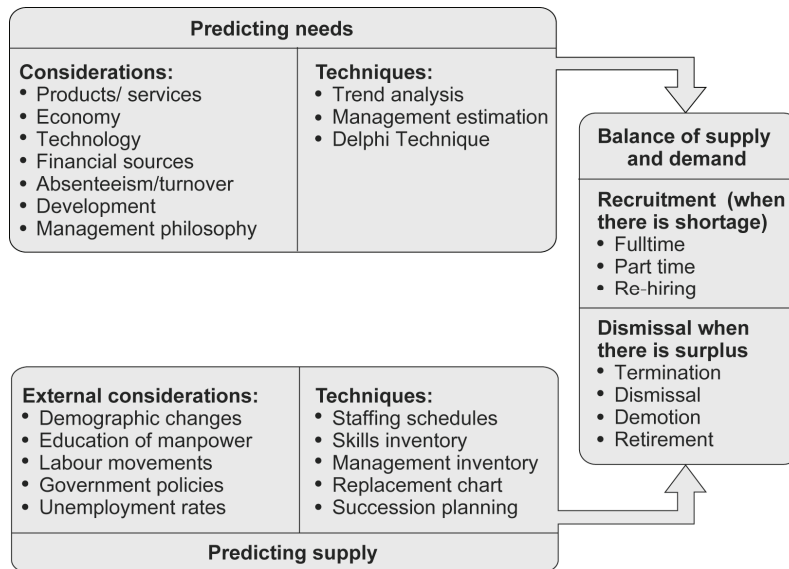


Figure 2.5: Human resource planning model

Source: Bohlander, Snell and Sherman (2004)

(i) **Quantitative Approach**

Quantitative approach involves the use of statistical and mathematical techniques. This approach is often used by professional planners. One of the examples of the quantitative method is trend analysis.

Trend analysis is a quantitative approach to predict labour needs based on an index. Other quantitative methods that can be used to predict human resource needs are regression analysis, ratio analysis and timeline analysis.

(ii) **Qualitative Approach**

A qualitative is an approach that does not involve much statistics but takes into consideration employees' interests, abilities and aspirations in fulfilling future staffing requirements. In this method, the human resource manager predicts manpower needs through considerations. Among the qualitative methods often used are management forecasting and the Delphi Technique.

Management forecasting is opinions, considerations or proposals from supervisors, department managers, experts or those with knowledge in human resource requirements for the organisation in the future.

The Delphi Technique is a technique of obtaining and summarising proposals or considerations from chosen experts on manpower needs in an organisation. This technique reduces biasness as the final prediction is a combination of experts' predictions.



YOUR IDEA

Look at the human resource planning in your work place. Are the management predictions and Delphi Technique used? If yes, give an example on how the planning is implemented.

(c) **Predicting Manpower Provision**

After an organisation predicts employee needs, it has to determine whether the number and types of current employees will be sufficient for the future. This process involves detecting the level of current and future supply, whether inside or outside the organisation.

There are various methods to detect and predict the total number of internal manpower. Among these methods are:

(i) **Staffing Schedule**

A staffing schedule gives a graphic display on all jobs in an organisation, including existing number of employees involved in the jobs. It also contains employees' needs for the future.

(ii) **Markov Analysis**

This analysis detects the pattern of employee movement through various types of jobs. It shows the percentage and actual figure of employees who still remain in a particular job, employees who are promoted, demoted, transferred or removed from the organisation. Through the Markov Analysis, employee movement matrix can be developed and the supply of internal human resource can be predicted.

(iii) **Skill Inventory**

Skill inventory consist of employee's personal files that contain information on education, experience, interests, skills and others. Skill inventory enables the manager to promptly match the suitable positions with employee's background.

(iv) **Replacement Chart**

A replacement chart consists of a list of current position holders, and those who have the probability to replace a position, should the position be vacant. This chart gives information on employee's or the manager's current performance and the probability of a promotion.

(v) **Succession Planning**

Succession planning identifies, develops and detects important individuals for executive positions.

When an organisation experiences a shortage of internal sources for promotion, or for new positions at the beginning or lower level, a manager must look at external work source or labour provision from outside the organisation.

There are a few external factors that influence the labour market. Among them are demographic changes, economy, manpower level of education, requirements for certain skills, population movement and government policies. The unemployment rate at the national and state level often becomes the benchmark to detect the labour force or employee supply.

(d) **Balancing Human Resource Supply and Requirement**

Through human resource planning, an organisation balances between employee need and provision. The demands towards employees are based on trend forecasting in an organisation's business activities.

Offer involves determining where and how potential employees can be found in order to fill expected vacancies. Matters become difficult if a particular job needs specific training, and this will require a more thorough planning.

If there is a job vacancy, whether aiming at replacing an employee who has resigned or the existence of a new position, an organisation must employ a new worker. The organisation can recruit a full time or part time employee, depending on its requirements.

An organisation can also re-hire employees who have resigned if the organisation feels that it is appropriate. For short-term and temporary actions, the organisation can encourage its employees to work overtime in order to fulfill the organisation's current requirements.

When an organisation experiences a surplus of manpower, there are a few actions that can be taken to reduce the existing number of employees, such as:

- (i) Limiting the intake of new employees, unless really necessary.
- (ii) Replacement of employees who have resigned or retired, or died, will not be exercised.
- (iii) Employees can be asked to share a job or task, demoted, advised to retire, terminated from service or laid off if really necessary.

However, all organisations' actions must follow the existing regulations and laws.



EXERCISE 2.2

TRUE (T) or FALSE (F) statements

1. Various organisational factors, including competitive strategy, technology, structure and productivity, can influence the organisation's requirements towards its employees.
2. When human resource planning shows a surplus of workers, an organisation can use termination, job sharing, dismissal, demotion methods, or rely on force so that employees resign in order to achieve a balance in the number of employees to the organisation's actual needs.
3. The qualitative technique of forecasting human resource generally uses sophisticated analytical models.
4. The Delphi Technique is very suitable for an organisation that is having staffing problems due to sudden technological changes.
5. The unemployment rate at the national and state level can become the benchmark in identifying external human resource supply.

2.2 RECRUITMENT

Recruitment is the process of identifying and encouraging potential applicants in filling the existing or future job vacancy in an organisation (Bohlander, Snell and Sherman, 2001).

In the recruitment process, effort is put into informing applicants about the qualification requirements in performing a job, as well as job opportunities that are offered by an organisation to its workers.

Recruitment that will be made, whether internally or externally, depends on the supply of existing personnel, the organisation's human resource policy and important matters involved in a particular job.

2.2.1 Internal Recruitment

Internal candidate who are most qualified have to be identified so that no issues will arise regarding regulations and laws, and at the same time is able to fulfill the organisation's needs and employees aspirations.

The effectiveness of internal sources is able to be further strengthened by giving the opportunity to employees who feel that they are qualified to apply for the position offered. Internal candidates who are suitable can be detected through the human resource information system and job posting and bidding.

(a) **Human Resource Information System (HRIS)**

Information technology enables an organisation to create a database that contains records and qualifications of each of its employees. A manager can obtain information about candidates and identify those who have potential to fill the position offered.

The existing data can also be used to forecast employees' career path and predict when and where the opportunity for promotion will be announced. However, the data has to be updated and there has to be a systematic method to update the data.

(b) **Job Vacancy Advertisement and Vacancy**

Job advertisement and vacancy mean that the management announces the existence of a job vacancy while at the same time retains the name list of employees who are trying for a better position. The announcement can be made via the bulletin board, the organisation's bulletin, special handouts, announcement through public address, and other appropriate methods. Sometimes announcements can also be made through computer systems such as e-mails.

Job vacancy advertisement methods can also be seen as beneficial when employees are confident regarding the fairness of the system. It is more effective when these methods are seen as part of the career development programme for employees.

Among the advantages of recruiting from within the organisation, are:

- (i) Most organisations give priorities to existing employees to fill in the vacant positions which are higher than their current positions. The offer to fill in a certain position or job is considered as promotion. Through this, organisations can get back the returns from recruitment, selection, training and development that have been initiated to in their employees.
- (ii) A promotion in an organisation can act as a reward for an employee's performance. The result is to increase in employee morale and motivation.
- (iii) By recruiting the existing employees in an organisation, costs related to orientation and training can be reduced. This is because employees are already familiar to the organisation's working environment.

- (iv) In certain situations, internal recruitment can save employees from being terminated as well as upgrading their working experience through transfers.
- (v) The performance records of employees who are offered a new job is more reliable when compared to a new employee who is hired from outside the organisation.

Recruiting employees from within the organisation also has its weaknesses and limitations. Among them are:

- (i) Job requirements cannot be match by existing employees, especially for those higher ranking positions.
- (ii) Organisations do not have the opportunity to acquire the knowledge and expertise of employees who have been trained by other organisations.
- (iii) It is difficult for the organisation to encourage free flow of new idea among existing employees, as well as to encounter their existing negative attitudes.
- (iv) The organisation has to face the risk of employee cloning, i.e. employees who maintain repetitive work behaviour and attitude.

2.2.2 External Recruitment

There are many sources and places where an organisation can recruit employees from the outside. However, the source of recruiting professional and skillful employees such as accountants are not the same as the source of recruiting skilled employees such as a flour mixer operator in a bread factory.

Among the sources of external recruitment are:

(a) **Advertising**

Advertising is the most popular source of attracting applicants. The advertising mediums that are often used by organisations are newspapers, radio, posters, billboards, television e-mails and business journals. The types of advertisements used by the organisation usually depend on the types of job vacancies that need to be filled, and the type of labor market. It also depends on the cost that organisation is willing to bear.

(b) **Internal Application**

Organisations often receive applications from internal candidates without having to advertise. However, the percentage of internal applicants is low.

Even though the percentage is low, organisations cannot ignore self applicants as they might prove to be good employees at a later date.

(c) **Proposed by staff**

Existing staff usually can suggest candidates who are really qualified. Organisations can encourage them to continue the effort of searching for the right candidate by giving bonuses for each successful employment. The risk of this sort of employment is nepotism, which is the tendency to propose their own family member.

(d) **Executive Search Firms**

This source assists employers in searching for a suitable employee to fill the job offered. The fee rate is normally 30% - 40% of the annual salary of the position that needs to be filled. For senior executive positions, payment is usually made by the organisation hiring the particular executive search firms.

(e) **Higher Learning Institutions (Public and Private)**

Through institutions, the potential candidates are young, and formerly trained but they are having less experience.

(f) **Professional Organisations**

Usually, professional organisations can help its members get jobs as this is one of the benefits of joining such organisation.

(g) **Public Employment Agencies**

Public employment agencies such as Labor Department can help job applicants to look for jobs which are suited to their qualifications.

(h) **Private Employment Agencies**

Normally, private employment agencies will charge a certain, fixed rate to help applicants look for jobs. Fee may be paid by the job seeker or potential employer.

(i) **Agencies Providing Temporary Will**

Normally, these types of agencies provide temporary workers to employers who require temporary workers, such as letter dispatcher.

(j) **Employee Leasing**

Employee leasing is an employee who has been retrenched or dismissed by an organisation, then hired by another company that offers employee leasing services to those interested companies.

(k) **Internet Recruitment**

The internet is a source of recruitment that is increasingly popular. Applicants can surf a certain website to register online.

(l) **Employees Union**

Employees union is a good source to obtain employees for certain positions in the supporting level.

External recruitment has a few advantages. Among them are:

- (a) When an employee is promoted or resigns from an organisation, his or her position must be filled. If his or her successor is chosen from within the organisation, then the successor's position must also be filled. Successions must be ongoing if an organisation does not plan to reduce its number of employees.
- (b) External recruitment is also done for the purpose of injecting new influence into an organisation so that the existing work culture can be stimulated.

However, in implementing external recruitment process, the position of the labour market, be it tight or loose, and a candidate's preparedness to transfer must be considered. The labour market is an area where candidates can be recruited. To attract the interest of applicants, the organisation must identify the types of jobs and its suitability to the applicants.



YOUR IDEA

From research, it is found that employees hired to referrals and self applications stay on longer in an organisation and show better performance compared to employees hired through the normal methods, such as advertising. Based on your work and experience, what causes this?

**EXERCISE 2.3**

TRUE (T) or FALSE (F) statements:

1. Employees need not be informed about promotion policies as they do not influence employee motivation.
2. It is usual for competing companies such as those in high technology field, to try and get secrets from their competitors by persuading the competitor's employees to work for them.
3. It is better to avoid from using employee referrals as a recruitment source as the applicant's quality may be questioned.
4. The person who should perform recruitment depends on the size of the organisation. For a big company, a professional human resource officer will be chosen and trained to find new employees.

Match the concepts to the suitable statements.

- (a) Human resource planning
 - (b) Labour market
 - (c) Realistic job preview
 - (d) Trend analysis
1. Predicting manpower needs based on organisation's index.
 2. An area where applicants can be recruited.
 3. The processes of forecasting and preparing employee movement into, within and out of the organisation.
 4. Informing applicants on all matters pertaining to the job, including positive and negative matters.

Multiple Choice Questions

1. There is a relationship between the successes of recruitment through advertising and _____.
 - A. the accuracy and total nature of the advertisement
 - B. the simplicity of the advertisement
 - C. the positive characteristics of the advertisement
 - D. the coverage of the advertisement

2. Human resource planning and strategic planning are related through:
 - A. Relating both human resource planning and strategic planning processes.
 - B. Determining the types of employees that exist in the organisation.
 - C. Ensuring the suitability and flexibility of human resource planning in an organisation's strategy.
 - D. All of the above.

3. Through human resource planning, an organisation strives to balance between requirements and human resource supply. Human resource requirements are based on _____.
 - A. where candidates can be obtained
 - B. how candidates can be obtained
 - C. when applicants can be employed
 - D. trend forecasting in business activities

4. Methods that enable an organisation to identify qualified internal candidates include all these, **EXCEPT** _____.
 - A. announcement of job vacancy
 - B. re-hiring employees that have been retrenched.
 - C. computerised record system
 - D. word-of-mouth

Essay Question

1. Differentiate between quantitative approach and qualitative approach to forecast human resource needs.

2.3 SELECTION PROCESS



THINK

When you apply for a job, you must have gone through the processes of applying for a job and then selection. What do you understand from the selection process?

Selection is a process of **selecting individuals who possess suitable qualifications** to fill an existing or future job vacancy.

The selection process is an ongoing process and involves a few steps. Among the steps in the selection processes are:

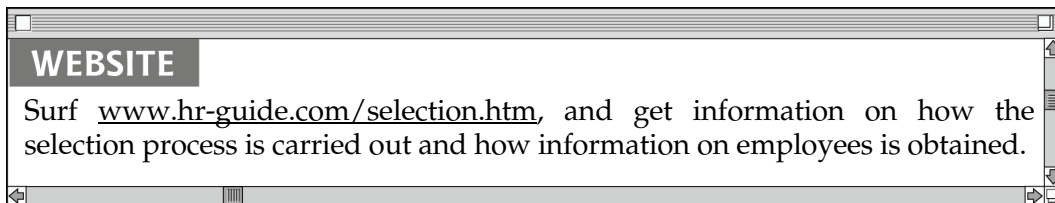
- Completing the application form.
- Preliminary interview at the human resource department.
- Employment test (cognitive aptitude test, achievement test).
- Investigating candidate's background.
- Preliminary selection at the human resource department.
- Team/supervisor interview.
- Medical check-up/drug test.
- Recruitment result.

From the steps above, we can see that an organisation use various ways to obtain information on applicants. Among the methods used are application forms, interviews, employment tests, medical check-up and background check on applicants/candidates.



YOUR IDEA

In your opinion, why do some applicants need not go through all the steps in the selection process and some applicants must go through all the selection process?



2.4 SELECTION METHODS

Through selection methods, we will discuss how to:

- obtain information on applicants and potential job candidates;
- test candidates for the purpose of identifying those who are most qualified for a particular job;
- obtain information through effective interviews; and
- decide on determining qualified candidates for the job offer.

2.4.1 Information Sources



THINK

When you apply for a job, do you have to fill in your personal information? What are the methods used at that time?

There are a few methods which are trusted and valid in order to obtain information about candidates. Figure 2.7 shows a few techniques of obtaining information in the selection process and its effectiveness.

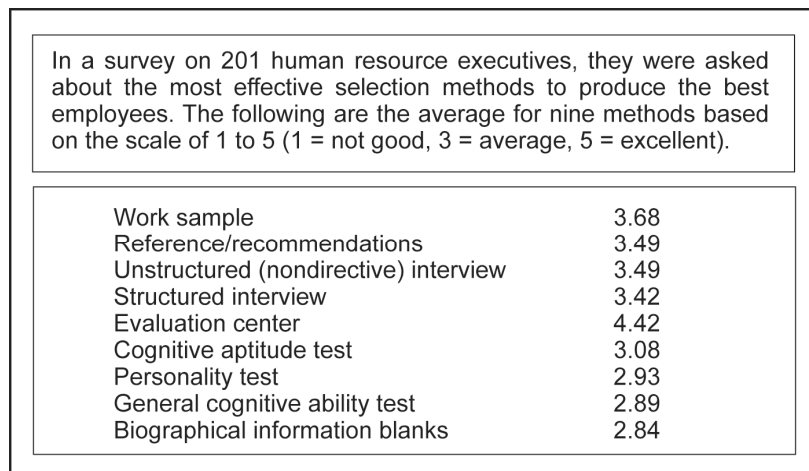


Figure 2.7: The effectiveness of selection methods

Source: David E. Terpstra, (May 1996)

Below are some types of information sources usually used by an organisation to obtain information on a job candidate:

(a) **Application Form**

An application form provides information to see whether an applicant has experience, has received education and other matters related to the job. Information from the application form will be made the basis, by the interviewer, to ask questions about applicant’s background and to check the references provided by the applicant. Among the items included in an application form are date of application, educational background, experience, criminal records, nationality and disabilities.

(b) **Biographical Information Blanks (BIB)**

Through BIB, questions asked are more on family life, interests or hobbies, club membership and experience in sales and investments. Therefore, BIB is able to give a general description on the applicant's behaviour.

(c) **Investigating Candidate's Background**

When an interviewer feels that a candidate has potential, some of the information obtained from previous employers or other information given by the candidate will be investigated. Among the methods are:

- Calling the previous managers.
- Writing a letter to get information.
- Obtaining a written permission from the candidate so that the interviewer can get information from previous employers.
- Going through the credit report to look at the applicant's or candidate's financial position.

(d) **Polygraph Test**

A polygraph test is an equipment to detect lies. It measures changes in breathing rate, blood pressure and an individual's pulse when the person is being questioned. Questions asked often include matters involving drug abuse, theft or criminal offences that are not detected by others.

(e) **Honesty and Integrity Tests**

Honesty and integrity tests are usually used by an organisation where its employees have access to money and sales items. Questions often asked relate to values and attitudes, such as theft and punishment for thieves. A total analysis will become an assumption of work performance and disciplinary problems.

(f) **Graphology**

Graphology refers to a system that analyses hand writings. Through a candidate's hand writing, a graphologist makes an assumption on the nature of his or her intelligence, energy level, organisational abilities and emotions.



YOUR IDEA

For which job should a candidate be tested by using graphology?

(g) **Health Examination**

A health exam is done to ensure that the applicant's health level fulfills the job requirements.

(h) Drug Test

A drug test aims at ensuring future employees are free from hazardous drugs. The sampling method is usually implemented.

**EXERCISE 2.4**

TRUE (T) or FALSE (F) statements

1. The selection procedure does not have to be validated before it is used.
2. The more related the contents of a selection tool with the actual work sample, the higher the value of content validity.
3. Most organisations require application forms to be filled because application forms provide fast and systematic information of the applicants.
4. To filter and select applicants as well as predicting their performance, organisations have to go through applicant's information through applicant's source of reference.

2.4.2 Employment Test

Another method of obtaining information on candidates is through employment tests. An employment test is another method for an organisation to gather information on applicants or employees. Some organisations employ consultants to perform employment tests. An employment test is an objective and standard way to measure knowledge, skills, abilities and other candidates' characteristics, compared to other candidates.

Employment tests can be categorised into two, which are:

- **Aptitude test**
Aptitude test measures an individual's capacity or ability in learning and mastering new skills.
- **Achievement test**
Achievement test measures what an individual knows or is able to do at this frame of time.

Among the types of employment tests are:

(a) **Cognitive Aptitude Test**

A test that measures an individual's mental abilities such as aptitude, fluency, calculating ability, reasoning ability, thinking and drawing conclusions. The test is believed to be able to represent an individual's general intelligence.

(b) **Job Knowledge Test**

A test to measure an individual's knowledge and understanding of a job.

(c) **Work Sample Test**

A test that requires applicants to perform tasks that are part of the duties for the position applied. For example, a test on reading maps for traffic officer candidates, and judgment and decision making tests for an administrative officer candidate.

(d) **Personality and Interest Inventory**

A test to measure an individual's disposition and temperament.

There are five dimensions that are able to reflect an individual's personality, i.e.:

(i) **Extroversion**

Extroversion projects the external characteristics, i.e. at a level where an individual talks a lot, is social, active, aggressive and cheerful.

(ii) **Agreeableness**

Agreeableness is a level where an individual can be trusted, is warm, generous, able to compromise, honest, cooperative and able to discuss.

(iii) **Conscientiousness**

A level where an individual can be depended on, is rule abiding and perseveres in carrying out duties.

(iv) **Emotional Stability**

Emotional stability is a level where an individual feels secure, calm, independent and autonomy.

(v) **Open to Experience**

This involves being open to new experiences, i.e. an individual's level of intelligence, philosophy, in depth understanding, creativity, artistic abilities and curiosity.



YOUR IDEA

In personality and interest inventory, there are five personality dimensions. Which one reflects your personality, and based on your personality, what type of job is suitable to you?

(e) **Physical Ability Test**

This test aims at examining an individual’s physical abilities in performing a task in a particular job. Risky jobs such as a fireman and lorry driver need physical strength and endurance in carrying out their jobs. This limits applications from women and those who are handicapped.



YOUR IDEA

Classify these job tests according to their categories (Aptitude test or achievement test).

Type of test	Category
Cognitive Ability Test	
Job Knowledge Test	
Work Sample Test	
Personality And Interest Test	
Physical Ability Test	

2.4.3 Job Interview

Information on candidates can also be obtained through a job interview.

An interview, traditionally, is the main tool for most organisations to gather information on candidates. Even though many researchers are still skeptical about its validity, this method is still the main choice when conducting a selection process. This is because:

- an interview is easy to carry out, especially when the number of applicants is small.
- Apart from aiming to gather information, it also aims to get to know the candidate a little better.
- Recruiters still believe and are confident of their method of judging the candidates.

In a job interview, there are three important factors that one should be aware of:

- types of job interview;
- the variables that influence an interview; and
- guidelines for the interviewer.

(a) **Types of Job Interview**

Some of the types of job interviews are:

- Nondirective interview
- Structured interview
- Situational interview
- Behavioral interview
- Panel interview
- Computer interview

(i) **Nondirective Interview**

Through nondirective interview, an applicant has the freedom to give his or her opinion during the interview. The interviewer tries not to influence any opinions offered by the candidate. Usually the interviewer will ask general questions such as the candidate's experiences in his or her previous company.

(ii) **Structured Interview**

This type of interview contains a set of standard questions together with pre-determined answers. The questions are based on a job analysis that has been carried out beforehand. Information from a structured interview is able to reduce unfairness in the perspective of the law.

(iii) **Situational Interview**

Through this interview, the applicant is given a situation or an event in which he or she needs to respond to. The feedback given will be evaluated based on standardised answers. This type of interview is a part of structured interview.

(iv) **Behavioral Interview**

Through this interview, applicants will be asked their response in dealing with specific circumstances. For example, from an applicant's previous experience, what were the actions taken against employees who practice truancy. This approach is based on the critical incident method of the job analysis.

(v) **Panel Interview**

Through panel interview, a group of interviewers will question and observe the candidate. The number of interviewers is between three to five people. The interviewers will compare their observation and reach a consensus concerning the candidate. This method has a high level of validity.

(vi) **Computer Interview**

Through this interview, candidates are required to answer multiple choice questions that are related to the job. The answers given will be compared to an answer profile that is developed from previous candidates' answers. Computer interview is usually used as an additional interview for a common or conventional interview.

(b) **Variables in a Job Interview**

An interview process is influenced by the interviewer, the applicant and the interview context. Figure 2.8 shows these variables and the processes involved in a job interview.

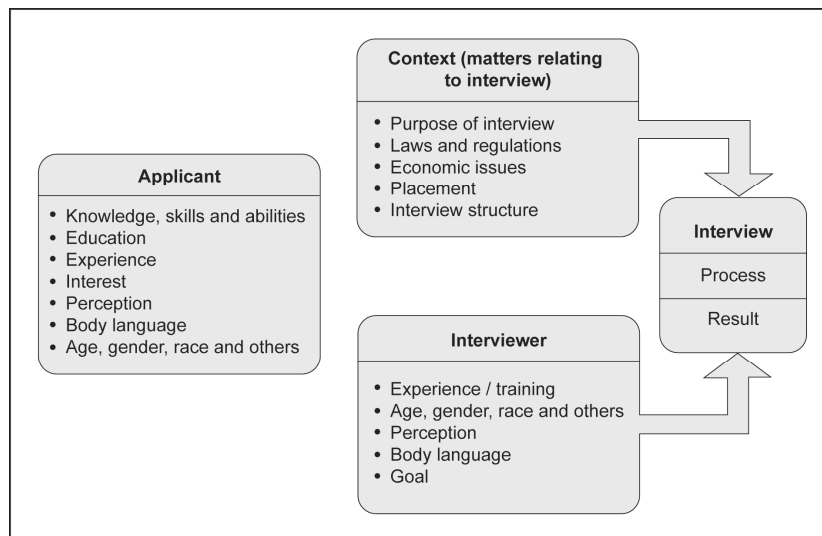


Figure 2.8: Variables in a job interview

Source: Adapted from Bohlander, Snell and Sherman (2004)

(c) **Guidelines for the Interviewer****THINK**

Bias often occur during an interview process. The interviewer is often influenced by negative information about the candidate. In your opinion, what should be done by interviewers to avoid this from happening?

A job interviewer can influence candidates on whether to accept or reject a job offer. Therefore, an organisation must be careful in choosing interviewers. An interviewer needs to have attributes such as humbleness, objectivity, maturity and composed. Communication skill is also needed. The interviewer should not talk too much, not excessive in giving opinions and not bias.

Some of the guidelines that can be observed by interviewers are:

- (i) **Set Interview Plans**
Go through the purpose of the interview and determine the subjects and questions that will be asked. Get related information.
- (ii) **Determine and Maintain Rapport**
This can be done by welcoming the candidate, explaining the interview purpose and showing interest on the candidate.
- (iii) **Be a Good Listener**
Try to understand what the candidate means.
- (iv) **Pay Attention to Body Language**
Observe the candidate's facial reactions, movement of head and hands, body positions and other movements that can give an indication to the candidate's attitude and feelings. However, an interviewer must be careful with his or her own body language.
- (v) **Give Information Properly and Sincerely**
Answer the candidate's questions properly and sincerely. Provide a clear picture of the job offered.
- (vi) **Use Questions Effectively**
Avoid from questioning a candidate while he or she is still answering a question. Give opportunities to the candidate to guess what must be answered.
- (vii) **Separate Facts and Opinions**
During an interview session, the interviewer needs to note down facts and later, the interviewer's conclusion can be compared to those of the other interviewers.

(viii) Identify between Bias and Stereotypes

Most often, bias that happens during an interview is that the interviewer easily accepts candidates who are compatible with him or her. Stereotyping also happens during interviews. A candidate is often judged based on race and appearance.

(ix) Control Interview Direction

Follow what has been planned. Give opportunities for candidates to speak. However, the interviewer needs to monitor the situation so that the objective of the interview can be achieved.

(x) Standardise Questions

Ask the same questions to all candidates that are being interviewed for the same position. This can increase reliability and avoid discrimination.

**EXERCISE 2.5**

TRUE (T) or FALSE (F) statements:

1. Even though it has good potential, a physical ability test can give a negative effect to women and handicapped applicants.
2. An achievement test requires applicants to carry out tasks that are part of the actual work.
3. In using a nondirective interview approach, the interviewer listens attentively and does not question, interrupt or change topics suddenly with the candidates.
4. A panel interview is a situation where three to five interviewers interview a group of future employees at the same time.

2.4.4 Reaching Selection Decision

When the necessary information is obtained, the process to determine the candidate to be offered the job is done. At this level, there are three important things to be observed, i.e.:

- to simplify a candidate's information;
- decision strategy; and
- final decision.

This level is important as it involves cost. Therefore, there has to be an information checklist on the candidates, as well as strategy options in selecting a candidate.

(a) **Simplifying Candidate Information**

The management is usually interested to know what can be done and what will be done by a candidate in his or her job. Management must take these two factors into account when evaluating candidates. Factors of what candidates are able to do include knowledge, skills and ability to gain new knowledge and skills. Factors of what candidates will do include motivation, interest and other personality traits (refer to Figure 2.9).

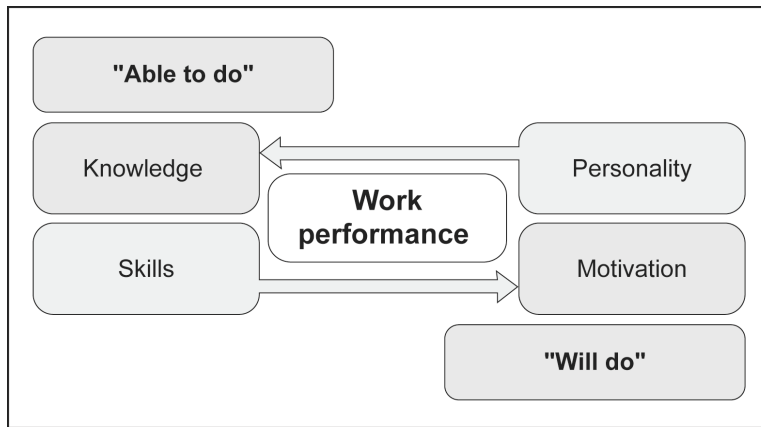


Figure 2.9: "Able to do" and "will do" factors
Source: Adapted from Bohlander, Snell and Sherman (2004)

Employee who has the ability to do something but has no interest to do it is better than an employee who has interest but not the ability. It is easier to measure what an applicant is able to do rather than what he or she will do. Test scores can be used as a tool to measure a candidate's abilities. The result of the interview can be a basis to assume what the candidate will be able to do in future.

(b) **Decision Strategy**

The decision strategy used in hiring personnel is different according to the different job categories. For example, the strategy used to hire a manager is different from the strategy used to hire a clerk.

Some factors need to be observed by the management before any decision on staff intake is made. They are:

- (i) Is the hiring of a particular individual based on his or her ability, or is it based on the organisation's needs?

- (ii) What is the starting fee for the individual that is offered a particular job?
- (iii) Is selection based on the candidate's suitability to the job, or does it take into account the candidate's career opportunities in the organisation?
- (iv) How far would those who are less qualified be put under consideration?
- (v) Is an individual who is more than qualified for the post be considered and offered the job?
- (vi) What are the effects of a candidate's intake regarding the regulations and employee diversity in an organisation?

The management must also determine the types of approach to be implemented in deciding to hire an individual for a particular job. The approaches are clinical approach and statistical approach.

(i) **Clinical Approach**

Through clinical approach, those involved in the selection process will go through again all data on the candidates. Decision will be made based on the interviewer's understanding on a particular job, and their observation towards the individual who are successful in that particular job. The clinical approach is subjective in nature but is often practiced in most organisations.

(ii) **Statistical Approach**

The statistical approach is more objective in nature and is better compared to the clinical approach. The data obtained on candidates will be considered in detail and the forecaster will be identified statistically.

(c) **Final Decision**

After going through the pre-selection process, a candidate who is qualified will be referred to sections or units where there are vacancies to be filled up. The manager or supervisor in that particular sections or units will interview the candidate and decide whether or not he or she will fill the vacancy. The human resource section is responsible to deliver the result of the candidate's application, as well as to provide work details of the job if the candidate is offered the job.

**EXERCISE 2.6****Fill in the Blanks**

- (a) Selection (c) Aptitude test
- (b) Multiple hurdle model
1. _____ The process of selecting a qualified individual to fill a vacancy at present and in the future.
 2. _____ A continuous strategy whereby only applicants who obtain the highest scores in the preliminary test are allowed to proceed to the next test.
 3. _____ Measures an individual's ability to learn or acquire new skills.

Multiple Choice Questions

1. Generally, the selection procedure is the responsibility of the human resource department. However, the decision to hire someone to work in a unit or section is made by _____.
 - A. operations personnel
 - B. the department manager
 - C. the staff manager
 - D. a management consultant
2. To save cost, _____ is performed as a final step in the selection process.
 - A. an interview
 - B. a background check
 - C. a job test
 - D. a medical check up
3. A tool to measure mental abilities such as intelligence, eloquence, ability to calculate and ability to rationalise is _____.
 - A. personality test
 - B. achievement test
 - C. cognitive test
 - D. evaluation center

4. Even though every step in the selection process is important, the most critical is the decision to _____.
- A. accept or reject candidates
 - B. implement a job test
 - C. use application forms
 - D. check references

Essay Question

What is meant by the term “criteria” which is used in selecting personnel? List a few criteria used for certain jobs that you know of.

SUMMARY

In planning an organisation’s future, the top management and strategic planner must realise that strategic planning decisions will effect human resource planning, and vice versa.

Human resource planning can be reactive and proactive towards an organisation’s human resource needs. Human resource planning is a systematic process involving forecasting process of human resource needs, implementation of human resource supply analysis, and balancing between existing supplies to the actual needs of human resource.

In implementing recruitment functions, the management finds that internal recruitment gives a lot of advantages to the organisation and also employees. Through internal recruitment, management is able to reimburse all expenditures invested in employees during employee training and development. For the employees, it is seen as an encouragement to further improve themselves in the company. However, internal recruitment can cause employee cloning.

External recruitment has to be carried out when there are no internal candidates eligible to fill a vacancy. Recruiting employee outside of the organisation can help an organisation acquire new ideas. The recruitment sources used by an organisation usually depends on the types of jobs and the labour market.

The selection process is supposed to give reliable and valid information on an applicant. Among the methods used to get information on an applicant is through an interview. The interview method can be used together with application form, biographical information blanks, references, background check, cognitive test and job sample test.

A job test is more objective than an interview and is able to give a wider behavior sample. Each type of test has a specific purpose, such as the work knowledge and work sample tests which are designed to determine whether a person requires training or not.

A variety of methods can be used in the interview process. An interview can be performed structurally or non-structurally, as well as through one on one basis or with a panel.

Finally, in the process of deciding whether a candidate will be offered a post, factors that are taken into account are what the candidate can do, and what he or she will be able to do.

Topic 3 ▶ Evaluating Performance and Developing Employees

LEARNING OUTCOMES

By the end of this topic, you should be able to:

1. Explain the basic concepts of performance evaluation, training and development;
2. Describe six roles of performance evaluation;
3. Explain the process of performance evaluation;
4. Discuss six sources to evaluate employee performance;
5. Explain the importance of training and development in an organisation and its processes; and
6. Explain the concept of career development.

▶ INTRODUCTION

The previous topics focused more on how an organisation is able to attract a productive, flexible and motivated employees. This topic will focus on the aspects of maintaining human resource development and productivity in an organisation. Although initially all supervisors and managers will observe their employees' work behavior, and evaluate their performance at the end of the year, they must also focus on the non-cost value increase to the organisation. The unconcerned attitude of supervisors and managers is a challenge to the Human Resource Department to develop supervisors and managers who are able to motivate employees to increase their performance. Supervisors and employees' acceptance and commitment towards performance improvement are critical in

order to determine the productivity increase in the organisation. Due to this problem, performance evaluation is seen as a complicated activity but is important to the organisation's competitiveness in the market.

Training and development are critical functions of an organisation. If the human resource department does not have the knowledge, skills and means to carry out its job, the objectives of the organisation will not be realised. Therefore, an ongoing and organised training can help an organisation to ensure that employees are well equipped with the knowledge, skills, capabilities and the attitude needed in their jobs to help the organisation realise its objectives. We will start our discussion with the performance evaluation, followed by the training and development.

3.1 DEFINITION OF PERFORMANCE EVALUATION



THINK

What is your understanding of performance evaluation?

Before we go further on the performance evaluation system, it is good to know what is meant by performance and performance evaluation. **Harvey** (1996) defined performance as carrying out a task with the result being able to reach the job goals or certain activities throughout the duration given. **Bernardin** (1998) stated that performance is a record on results shown based on work functions or certain activities throughout the duration allocated.

Performance evaluation is a formal system that examines and evaluates employee performance periodically (**Mondy**, 1999). It is also a process that measures employee performance whereby employee performance is a degree an employee completes all the work requirements given. **Cardy** (1994) defined performance evaluation as a process of identifying, observing, measuring and developing employee performance in an organisation. Therefore, performance evaluation not only functions as a tool to measure performance but also as a tool to develop employees.

3.2 ROLES OF PERFORMANCE EVALUATION

Performance evaluation basically aims to increase employee and organisation productivity effectively but specifically, the roles played by performance evaluation are much more than that. According to **Ivancevich** (2001), among the roles played by performance evaluation are:

- (a) **Development**
Determines which employees need training. This will increase employee-supervisor relationship and encourage supervisor to help in the reinforcement process of employee behavior.
- (b) **Motivation**
Encourage attempts, develop responsibilities and propel efforts towards improving performance.
- (c) **Human Resource Planning**
Functions as a valuable input to human resource planning activities.
- (d) **Communication**
Acts as a basis for discussion between supervisor and employees regarding work matters, through daily interaction.
- (e) **Law Abiding**
Acts as a valid foundation for promotions, transfers, rewards and employee terminations.
- (f) **Human Resource Management Research**
To verify methods or techniques used in human resource management activities. For example, during the selection activity – improving or selecting the effective selection test.



YOUR IDEA

Based on your experience, has performance evaluation helped in your career? Explain.

3.3 MAIN CAUSES OF PERFORMANCE EVALUATION FAILURE

THINK

How far is the precision of an employee's performance evaluation?

Basically, the performance evaluation process is seen as a simple process whereby a supervisor or manager only needs to observe the work performance of their staff and give feedback on their performance from time to time. In reality, this process is not that simple. The supervisor or manager as well as the staff often have different opinions on performance evaluation. Some of the factors that lead to the failure of the performance evaluation process, according to **Bohlander**, (2001), are:

- The supervisor or manager does not have enough information on employees' real work performance.
- The standard of measuring performance is not clear.
- The supervisor or manager does not have the skills to evaluate employee performance.
- The supervisor or manager is not prepared to evaluate employee performance, as he or she does not want to be seen as a judge who is giving out an unfair sentence.
- Employees do not receive constant performance feedback.
- The supervisor or manager is not sincere during the performance evaluation process.
- Performance evaluation is not focused on employee development.
- The supervisor or manager uses language that is unclear to the employees during the performance evaluation process.
- Employees feel that the organisation does not allocate enough resources for performance rewards.

The explanations above are able to influence the effectiveness of the performance evaluation process and create a gap in the relationship between supervisor and staff. Performance evaluation activities are also often referred to as an annual activity and focuses more on employees' annual salary movement. The disagreement that exists and the misunderstanding of performance evaluation have caused the performance evaluation process to fail. Therefore, support from the top management is important in order for performance evaluation to succeed so that the organisation will be able to compete in the market.



EXERCISE 3.1

Essay Question

1. What is meant by performance evaluation?
2. State the SIX roles of performance evaluation from the administrative aspect.
3. State FIVE causes on why the performance evaluation process fails to be implemented successfully.

3.4 PERFORMANCE EVALUATION PROCESS

Figure 3.1 shows the performance evaluation process that includes these steps:

- Identifying performance evaluation objectives.
- Developing performance standards.
- Monitoring employee work performance.
- Evaluating performance.
- Discussing evaluation with employees.

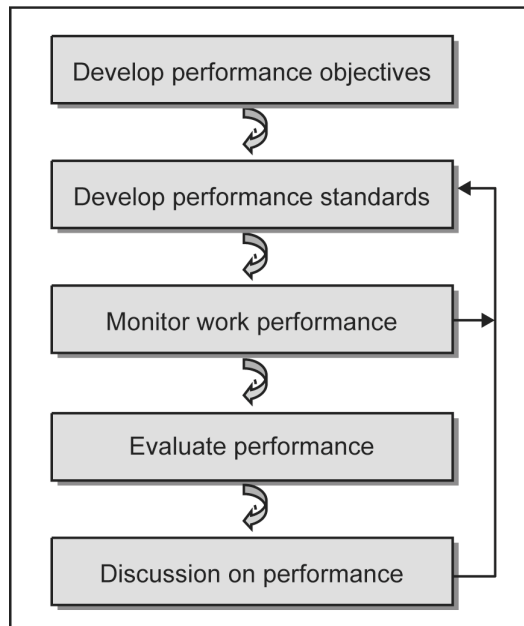


Figure 3.1: Performance evaluation process

Source: Adapted from Mondy, Noe & Premeaux (2002)

(a) **Identifying Performance Evaluation Objectives**

The performance evaluation process begins by developing performance evaluation objectives. The development of objectives must be related to the organisation's objectives so there will be work performance increase shown by employees. For example, some organisation's philosophy is to focus on employee development aspects while other organisations focus on the administrative aspects such as salary standardisation.

(b) **Developing Performance Standards**

After the performance evaluation objectives are set, a standard performance will be developed. The purpose is to make the comparison between real work performance and the organisation's expected work performance easier. Basically, performance standards must be developed based on a particular work's requirements and these requirements result from the job analysis. A good performance standard is able to translate an organisation's strategic objectives to a particular work. Figure 3.2 shows the four important elements that must be present when developing performance standards.

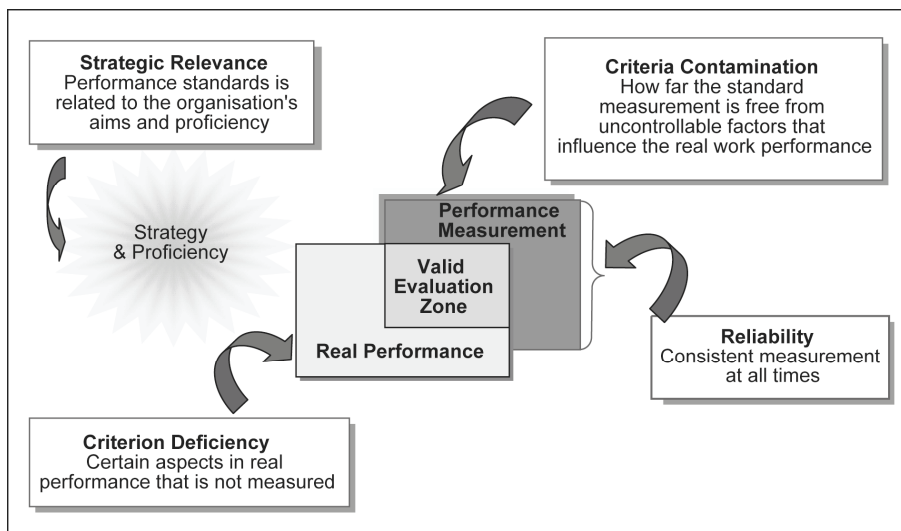


Figure 3.2: Performance standard development

Source: Bohlander, Snell & Sherman (2004)

(i) **Strategic Relevance**

The standards that are developed must be related to the organisation's strategic objectives. Indirectly, the organisation's strategic objectives need to be translated into the standards. For example, "95% of customer complaints must be solved on the same day." With this in mind, employees who are in contact with the customers must take into account this strategic objective when developing their standards.

(ii) **Criteria Contamination**

Criteria Contamination happens when factors that are out of the employees' control influence their performance. For example, a typist needs a computer to type and produce quality output. If the organisation only has a typewriter then the quality produced may not be as good as the output quality produced by a computer. Therefore, the computer becomes a factor that contaminates the typist's performance.

(iii) **Reliability**

Reliability refers to the consistency of the standards that are developed. In other words, constant or consistency means how far an employee is able to maintain a level of performance in a particular timeline. For example, the evaluation comparison of two managers on an employee, for a promotion, will determine the reliability of the employee's performance.

(iv) **Criterion Deficiency**

The development of performance standards must take into account all the responsibilities of the employee. If the standard that is developed only takes one aspect of the job, then criterion deficiency will occur. For example, a salesperson's performance evaluation is only measured through his or her sales volume without taking into account another important criterion, i.e. customer satisfaction.

(c) **Monitor Work Performance**

After developing performance standards, the next step is to monitor the employees work performance so that the performance demonstrated is in line with the standards set. If the real performance shown by employees deviates far from the set standards, then the standards developed must be re-analysed to ensure that it is clear, attainable, measurable and states the time period for it to be carried out. An unclear standard must be altered so employees are able to carry out their duties effectively.

(d) **Evaluating Performance**

Usually, at the end of the year, employee performance will be evaluated to ensure that the organisation's strategic objectives are achieved. The real performance shown by employees will be compared to the standards that have been developed.

(e) **Discussion on Performance**

Employees and managers will review the employees' performance together based on set standards. A performance discussion will determine how far the employee is able to achieve the organisation's strategic objectives, identify the problems that obstructed the achievement and find alternatives to solve the problems. This discussion will also touch on developing objectives for the next year.



YOUR IDEA

State whether you agree or disagree on the issues regarding performance evaluation below, and give a solid reason for your answers.

1. Performance evaluation is the management's technique to control employee behavior.
 - (a) Agree
 - (b) Disagree

2. Performance evaluation creates employee groups who are individualistic and selfish.
 - (a) Agree
 - (b) Disagree

3. Performance evaluation helps employees to improve their performance.
 - (a) Agree
 - (b) Disagree



EXERCISE 3.2

Essay Question

1. State the FOUR main elements in developing an effective performance standard.
2. Explain the FIVE steps involved in the performance evaluation process.

3.5 RESPONSIBILITY OF EVALUATING



THINK

Who is involved in an employee's performance evaluation?

Usually the manager of a department or unit will evaluate his or her employees' work performance. The work difficulties today have caused the manager to be unable to monitor or evaluate his or her employees' work performance. If a

department or unit has a small number of employees then there is a possibility that only one manager is needed to evaluate his or her employees' performance. However, for a department or unit that has a large number of employees, the responsibility to evaluate can be assigned to other sources such as colleagues, self evaluation, customers and subordinates.

(a) **Immediate Supervisor**

This traditional method stresses that performance evaluation must be done by an employee's immediate supervisor. A supervisor is the most eligible person to observe and evaluate his or her employees' work performance, and he or she is also responsible to manage the unit or department. Since the immediate supervisor will evaluate the employees, it goes without saying that the training and development aspects of the employees become important elements that should be focused on.

If seen on a negative side, the immediate supervisor may stress on certain performance aspects and ignore other performance aspects. For example, he or she may only stress on the quantity aspect and ignore the quality aspect.

(b) **Self Evaluation**

If an employee understands the objectives that must be achieved and is involved in the development of performance standards, then he or she is qualified to evaluate him or herself. This is because the employee knows what has to be done and how to carry out the task effectively. Moreover, an employee's involvement in the performance evaluation process is critical so that an increase in the productivity is possible.

On the negative aspect, an employee is more keen to illustrate his or her strengths and try to cover up his or her weaknesses. With this in mind, self-evaluation is more suitable to be used for self-development and not as a basis for promotion or salary increments.

(c) **Subordinates**

The most suitable people to evaluate a manager are his or her subordinates. This method is effective because the subordinates are the best source to observe the effectiveness of the manager. Moreover, the subordinates are always in contact with the manager. This type of evaluation is more for the manager's self-development so that he or she is able to rectify his/her weaknesses. The negative aspect of this evaluation is the subordinate may give a good evaluation on his or her manager if they have a good working relationship, and may evaluate the manager poorly if they are at odds with each other.

(d) **Peers**

Peers can be an effective evaluation approach as peers often interact and are able to identify their colleagues' strengths and weaknesses. Peer evaluation can also give an accurate and valid input.

However, peer evaluation will also create problems if it is used as basis to give favors or seek revenge. For example, employee A often helps employee B carry out his duties. Therefore, when the time comes to evaluate, employee B will give high marks to employee A in favor of all the assistance that was given.

(e) **Customer Evaluation**

Customer satisfaction determines the successfulness of an organisation. Based on this idea, most organisations feel that they should obtain their employees' performance input from customers. Basically, there are two types of customers i.e. internal and external customers. Internal customers are employees from a certain department who depend on the output or other employees' work results for their input. For example, output that is produced by employee A from Department A is an input for employee B from Department B. In this case, employee B is the customer of employee A. External customers are outside people who use the products or services produced by an organisation.

(f) **360-degree Evaluation**

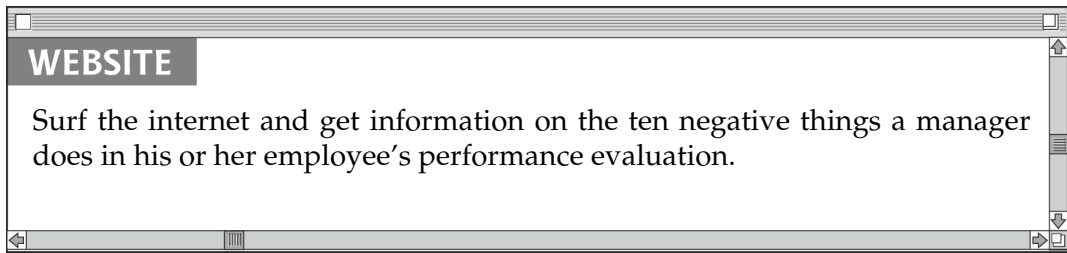
Apart from the sources stated above, an organisation may also use the 360-degree evaluation method to assess their employees. This approach is very popular and is an alternative to the traditional method as the organisation gets complete information on employees' performance. This is important to increase the organisation's competitiveness in the market. Basically, the 360-degree method uses a combination of various evaluation sources as stated above. Usually, an organisation uses this method for the purpose of employees' development only. The restrictions of this method are that it is expensive and takes a long time as it involves many parties in the evaluation process.



EXERCISE 3.3

Essay Question

1. Explain briefly the SIX sources to evaluate employee performance.



3.6 PERFORMANCE EVALUATION METHOD

There are a few methods or approaches to evaluate employee performance. The selection of certain methods depends on the purpose of the performance evaluation system of an organisation. If emphasis is placed on promotions, trainings and rewards based on merit then a method like rating scale is more appropriate. In fact, a combination of a few methods is more appropriate to develop employee performance and help them illustrate a more effective performance. There are three main methods that can be used by an organisation, i.e.:

(a) **Trait Method**

Trait is designed to measure how far an employee is able to acquire certain characteristics such as creativity, innovation, leadership and dependency that are seen as important in carrying out one's work. Among the methods categorised in trait method are graphic rating scale, essay and forced-choice.

(b) **Behavioural Method**

This method focuses on behavior aspects based on a scale that illustrates certain behavioral descriptions. These descriptions enable appraisers to identify employee performance based on certain behaviors from weak to excellent. Some of the methods included in behavior method are critical incident method, behavioural and weighted checklist, behaviorally anchored rating scale and behaviour observation scale.

(c) **Result Method**

Aside from behavior and trait methods, an organisation can also utilise the result method to evaluate their employees' performance. This method enables supervisors to evaluate the results achieved by employees. Therefore, it is more quantitative in nature, objective and empowerment can be present. This in turn will lessen bias. This technique also stresses that employees be responsible for all results achieved. There are two techniques which can be categorised in this group, i.e. productivity measures and management by objective.



EXERCISE 3.4

Essay Question

1. Explain briefly the **THREE** main methods which can be used in evaluating employee performance.

3.7 ERRORS IN PERFORMANCE EVALUATION



THINK

What are the factors which cause errors in performance evaluation?

In the effort to increase effectiveness in the performance evaluation system, there are various errors which will emerge due to human errors. In theory, performance evaluation seems easy but in reality, performance evaluation is not as easy as it is thought of because appraisers are often exposed to the errors which occur during the performance evaluation process. Some of the errors or mistakes which occur during evaluation are:

(a) **Halo Effect**

This effect happens when an appraiser conducts a total evaluation based on only one aspect of performance. For example, an appraiser who places importance on the quantity aspect will give a high value to an employee without considering other aspects such as communication, involvement and quality. In other words, an appraiser sees the employee as being efficient in all his or her work aspects when seen that he or she is able to meet the quantity required by the organisation.

(b) **Central Tendency**

Central tendency happens when an appraiser awards the same evaluation to all evaluated employees. The appraiser is inclined to give an average evaluation to all employees with the excuses of maintaining good working relationship with everyone so that friction does not occur.

(c) **Recency Error**

The recency error evaluation period is one of the problems in the performance evaluation process. Therefore, an appraiser often focuses on work performance that is close to the evaluation period as it is difficult to remember work performance in the beginning of the year.

(d) **Contrast Error**

This error happens when a manager compares an employee's performance with another colleague who has already been evaluated, and not based on set standards. For example, if employee A is seen as someone innovative and participates highly in his or her work, then when employee C's turn for evaluation comes up, his or her performance will be compared to employee A's performance, and not based on the set standards.

(d) **Leniency/Strictness Error**

Leniency error is an error made by an appraiser when he or she gives a high value to the employee being evaluated because the appraiser does not have the heart to give a low rating. Strictness error happens when an appraiser awards a low rating to the employee being evaluated because he or she feels that none of the employees deserve a high rating.

(e) **Similar-to-me Error**

This error happens when an appraiser awards a high rating because the employee who is being evaluated has similar personal characteristics with the appraiser. For example, an appraiser awards a high mark to the employee because they both like to drink tea.

In order to ensure a manager or supervisor does not make the same mistakes, he or she has to be given training on how to evaluate their employees effectively and fairly, as well as focusing only on the employees' work performance. This training aims to increase the appraiser's skills in observing and giving feedback to employees. Employees also need to give support by giving information which is needed by the appraiser in order to ensure the evaluation is done justly.

The next topic will discuss about training and development in an organisation.



YOUR IDEA

State whether you agree or disagree on the following issues regarding performance evaluation and give one reason for your answer.

1. The performance evaluation process should be conducted as often as possible so that employees know about their strengths and weaknesses.
 - (a) Agree
 - (b) Disagree

2. All employees need to be informed about their performance evaluation marks.
 - (a) Agree
 - (b) Disagree



EXERCISE 3.5

Essay Question

1. Explain briefly the **THREE** mistakes or errors which are often made by appraisers when they evaluate their employees.



EXERCISE 3.6

Multiple Choice Questions

1. All the following are administrative roles in evaluating performance **EXCEPT**:
 - A. Compensation
 - B. Termination
 - C. Career planning
 - D. Promotion

2. An appraiser will give an average rating for all dimensions that are being evaluated so that all employees will not be dissatisfied. By this, the appraiser has committed the mistake of _____.
 - A. attribution
 - B. leniency error
 - C. recency error
 - D. central tendency

3. Which one of the following are steps in the performance evaluation process?
 - A. Job analysis, set standards, evaluate performance, reassessment performance.
 - B. Set objectives and standards, monitor performance, evaluate performance, performance discussion
 - C. Set standards, job analysis, performance evaluation, reassessment evaluation.
 - D. Performance evaluation, set objectives, job analysis, set standards, reassessment performance.

4. The criteria the must be present in an effective performance evaluation system are as follows **EXCEPT**:
 - A. A clear objective
 - B. Monitor performance
 - C. Performance interview
 - D. End of the year checking system

Essay Questions

1. Discuss the **SIX** roles played by performance evaluation.
2. Explain these terms:
 - (a) Strategic relevance
 - (b) Criteria contamination
 - (c) Criteria deficiency

3.8 WHAT IS TRAINING AND DEVELOPMENT?

The training and development activities are closely related to the other functions of human resource management. For example, the human resource planning and performance appraisal can help an organisation to determine, where and whom in the organisation should be given training and development as well as the kind of training that is needed.

To understand the functions and process of training and development, we should explore the meaning of both concepts. Both training and development are often used interchangeably and are misinterpreted as the same as human resource development by many writers and practitioners in this field. Let us now look at the meaning of the basic concepts in training.

Mc Lagan (1989) recommends three approaches in **Human Resource Development**:

- (a) training and development
- (b) career and development; and
- (c) development of an organisation

All three approaches involve learning activities that are ongoing and systemically organised by an organisation. The main objective of human development is to improve the effectiveness and productivity of the employees, groups and organisation.

Through the organised learning activities, an employee will be equipped with the competencies needed to carry out his current as well as his future jobs, according to the performance standards and criteria set by the organisation. These learning activities also give all the employees in the organisation an opportunity to equip themselves with the knowledge, skills, abilities and attitude in order to fulfil the needs of their current and future job requirements [DeSimone, Werner and Harris, (2002)].

Human resource development involves three learning activities, namely **training, education and development**. Every human resource development activity has its own focus: training gives special focus to learning that is related to the current job; education involves learning for the job in future, whereas development focuses on an individual in general and is not related to his current or future job. Let us have a look at what is meant by training:

Training is a learning process that is organised in a systematic way to equip an employee with the knowledge, skills and attitude required to carry out his tasks and to improve his current work performance.

According to Nadler (1985), training is closely related to the job currently done by the employee. Nadler also believes that the training given to the employee must be related to his current job. This is important so that the employee can apply what has been learnt as soon as he returns to the workplace.

However, Blanchard and Thacker (1999) look at training as a systematic process to improve knowledge, skills and capabilities of implementing the current and future jobs.

What is the actual meaning of “development” and education in the human resource context? Refer to Figure 3.3 for the answer.

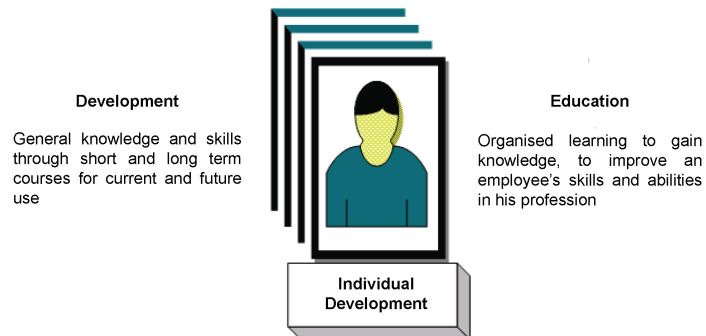


Figure 3.3: An employee’s development and education

Development can be viewed as a learning process to develop an employee in general which is not related to his current or future job. There are organisations and individuals that would like to see improvement, be it related to life or the organisation of the individual concerned. Organisations that are sensitive to the needs of their employees, will provide facilities and opportunities to enable them to take up short and long courses that will give them knowledge and skills in the respective fields.

Education, on the other hand, involves an organised learning process to provide knowledge, skills and capabilities in general that can be applied in their future jobs. An employee will usually take the initiative to improve his academic

qualifications for career advancement. However, there are organisations that are sensitive to their employees' career advancement. Workers that are noted to have the potential for promotions or for holding certain jobs at some time in the future should equip themselves with the knowledge, skills, and abilities needed. Therefore, the organisation will make sure that the particular employee is well equipped by undergoing the relevant learning programmes be it at a learning institute or through certain professional bodies.

In Malaysia, there are many local universities, hundreds of colleges or private learning institutions as well as professional bodies. These professional bodies that offer various education programmes specialising in their own professions, include the Malaysian Engineering Institute, the Malaysian Institute of Management as well as the Malaysian Institute of Human Resource Management. These institutes offer a number of programmes at certificate, diploma, Bachelor's, Master's as well at Ph.D levels. There are also some organisations that have set up their own internal training centres like the Petronas Training Academy Malaysia, the Telekom Malaysia College, the Malaysian Institute of Road Works as well as the Maybank Training Centre. These training institutes or internal learning institutes are set up to prepare the employees for specific jobs in their organisations in the future.

To facilitate learning and understanding of training and development, all three concepts of training, education as well as development will be used in this unit to cover all learning activities that are systematically organised to provide the capabilities needed by an employee to improve his current job performance and for his future job.



YOUR IDEA

State the consequences if an employee is not involved in the development and learning process?

3.9

THE IMPORTANCE OF TRAINING AND DEVELOPMENT



THINK

Why is training given to a new employee?

A training starts as soon as a new employee is hired for a particular post by an organisation. The recruitment and selection process ensures that the employee hired fulfils the selection criteria, which means that the particular employee must have the qualifications, knowledge, skills and capabilities set by the organisation. Therefore, the employee must be given training as soon as he joins the organisation.

As we have discussed earlier, the objective of giving training is to equip employee with the skills needed to improve his performance as well as that of the organisation. Effective training can enhance the knowledge, skills and capabilities needed by an employee to carry out his job effectively as well as to help improve the productivity and effectiveness of the organisation. Therefore, it can be said that training has a positive impact on the individual as well as the organisation.

Training and development do not only equip and enhance the knowledge, skills and ability of an individual, it is also important in deciding the individual's eligibility for career development. An employee who has special skills and shows an outstanding performance usually has a better chance to be promoted compared to someone who has not undergone any training and development programmes.

Therefore, the advantages of training and development are:

- (a) improving an employee's efficiency;
- (b) enhancing an employee's image;
- (c) giving an employee the opportunity to be promoted or for career development;
- (d) giving an employee the chance to gain knowledge and experience that are not available at the workplace; and also
- (e) motivating employees as well as encouraging them coming to work and work harder.

An employee who is knowledgeable, skilful and capable will be able to improve the productivity and performance of the organisation. This is because an able employee can usually carry out his duties more efficiently and is able to produce more quality work. Among the importance of training and development to an organisation are:

- (a) improving the productivity of an organisation;
- (b) giving profits or returns to the organisation;
- (c) enhancing the image of the organisation;

- (d) cutting down the rate of recruitment and termination and its costs; and
- (e) improving the competitiveness of an organisation.

Why do training and development need to be carried out? Refer to the explanations below to understand the reasons why training and development are important and why they should be carried out.

(a) **A New Employee Joins the Organisation**

Although basically an individual who is hired for a job has the qualifications and skills needed, he must still undergo a learning process known as orientation. This is to expose him to the policies and rules of the organisation to avoid problems later on. He must know the system and work orders in order to carry out his tasks according to the work standards that have been set. He must also know the other employees in the organisation especially those in the same unit or department including the manager, supervisor and co-workers. An effective orientation programme is to ease an employee's entry into the organisation and to enable him to familiarise with the organisation, the job, other members of the organisation as well as the surroundings.

(b) **An Employee Who Has the Potential to Advance in His Career with the Organisation**

In this kind of situation, an employee who has the potential to hold a particular post in an organisation will be given training as preparation to equip him with the knowledge, skills and attitude as well as the abilities needed when he is promoted. For example, an officer who has the potential to be a manager obviously needs a higher level of efficiency because the duties and responsibilities are different. Therefore, training must be carried out so that he will be ready with the knowledge, skills and abilities needed for that position when the time comes.

(c) **Declining in Job Performance**

A training and development programme can also help an employee to improve from his declining work performance. When a supervisor or manager finds that an employee's performance is not up to the standard, although training has been given, development activities through counselling can be carried out. Counselling involves two important steps:

- **Counselling Analysis**

A counselling analysis, will try to identify the factors that contribute to the declining performance of a particular employee. Is it caused by the employee's own weaknesses? Or is it caused by the work environment? If it is caused by the employee himself, we have to study whether or not the employee has been given sufficient training, his level of

understanding of the tasks to be carried out, and the level of his preparedness to carry out the particular tasks and responsibilities. On the other hand, if the work environment is the cause of the problem, for example, if the other units or departments are always slow in giving him certain documents, it will obviously affect his performance, as a situation like this is obviously beyond his control.

- **Discussions on Counselling**

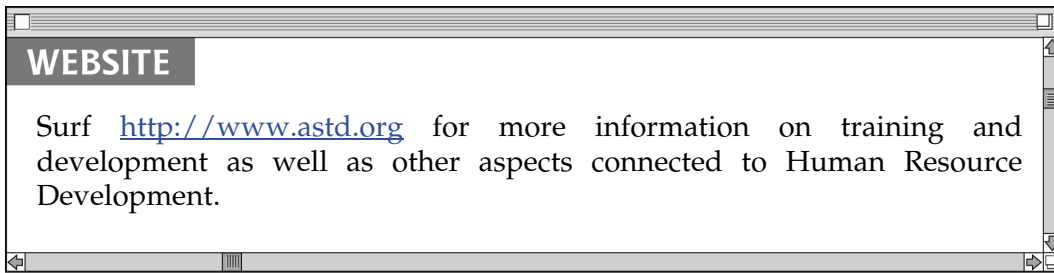
After the cause of an employee's declining performance has been identified, a face to face discussion between the supervisor and the employee concerned needs to be held to find a solution. Two approaches can be used for this purpose, namely the Fomies and Kinlaw (DeSimone, Werner and Harris, 2002) approaches. Both approaches have similar ways of solving the problem, beginning with a discussion between both parties involved regarding the cause of the problem and the steps that should be taken to improve the situation. The Fomies approach is more effective because it involves monitoring and follow-up actions to make sure that the employee implements the suggested proposals that have been discussed together.

(d) **Too Many Changes Taking Place**

The many changes that take place today can influence the stability and success of an organisation. The rapid change in technology, globalisation as well as k-knowledge are among the changes that are often associated with the performance of an organisation. In order to handle and face the challenging competition, an organisation needs employees who have the desired qualifications, knowledge, skills as well as abilities to help the organisation attain its goal and to give it an advantage to compete. Training and development plays an important part in helping the organisation increase its competitive edge.

Demands by clients that are becoming more precise and challenging are among the changes that can influence and demand accuracy and speediness of the production process and work system. To make sure that clients' demands are met, an organisation will be required to evaluate and change the existing production process. If there are changes in the structure and work system, the employees involved must be re-trained so that every individual involved understands and will be able to carry out his job according to the new system and working procedure.

Training should also be given if there are other changes in an organisation, such as restructuring, changes in policies and regulations, new management, implementation of quality management system, use of new machinery and others. This is important to make sure their knowledge and skills are always up to date.



YOUR IDEA

Do you know that there are many other changes in and outside the organisation that can influence training and development?

3.10 THE TRAINING PROCESS

The training process involves a few important steps. Nadler (1985) has developed the Critical Events Model as a guide for preparing an effective training process. This model stresses on the learning aspect in training in order to equip the employee with the knowledge, skills and abilities required. Nine steps are emphasised in this model as seen in Figure 3.4 below.

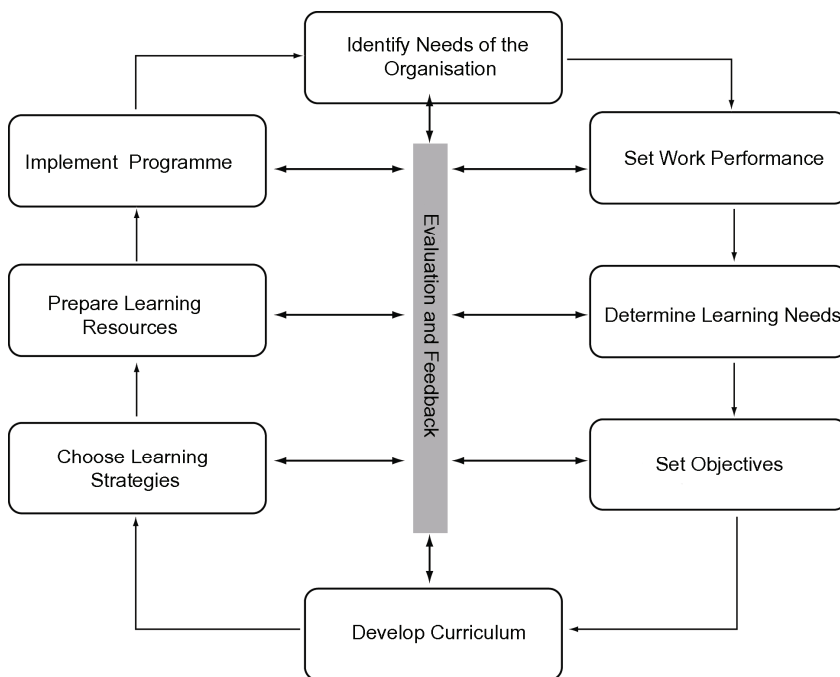


Figure 3.4: Critical event model
Source: Nadler, L. (1985) pg. 12

Goldstein (1993) on the other hand has introduced the **General System Model** which emphasises on the validity aspect of the training that is carried out. It categorises four important phases, needs evaluation, training and development, evaluation and lastly training objectives. Figure 3.5 gives us a picture of this model.

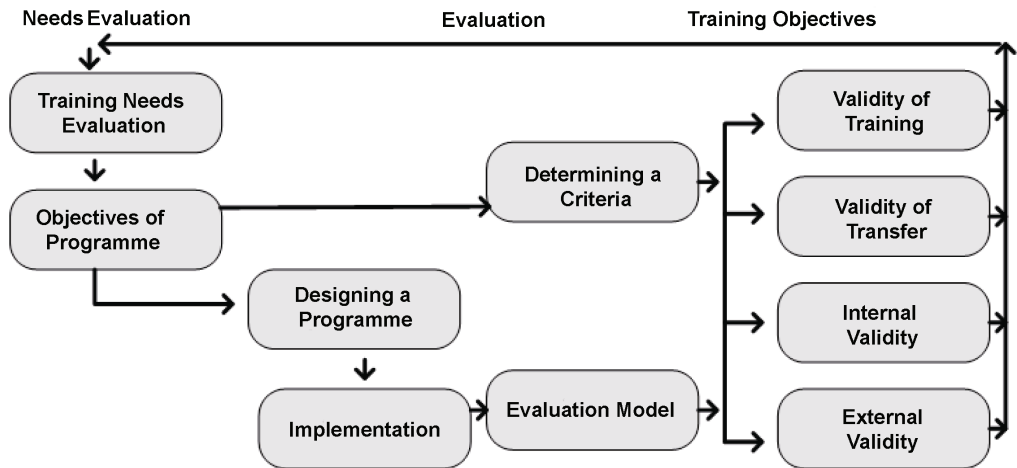


Figure 3.5: General system model
Source: Goldstein, I.L. (1993) pg 21

The needs evaluation phase is very critical as the decision making related to training and development will be based on its outcome. The outcome of the needs evaluation will decide the programme’s objectives and determine the training evaluation criteria. Then, a programme, which fulfils the identified needs and the objectives that has been determined will be designed. After all the preparations have been done, the training programme will be carried out. These preparations include the choice of location, preparation of materials and resources, scheduling and training plans.

A training evaluation can be carried out before, during or after its implementation. Evaluation is done to ensure the effectiveness of the programme that has been developed and carried out. The training objectives phase involves evaluating the validity of the programme that has been carried out. The validity of training measures the learning that exists whereas the validity of transfer looks at the ability of the employees to apply the knowledge acquired during training to improve their work performance. Internal validity compares the work of a particular group with another group in the organisation which has undergone the same training. External validity on the other hand, looks at whether a training programme which has been carried out effectively in one organisation can be implemented in another.

Figure 3.6 shows the **development process of a training programme** by Noe (2002).

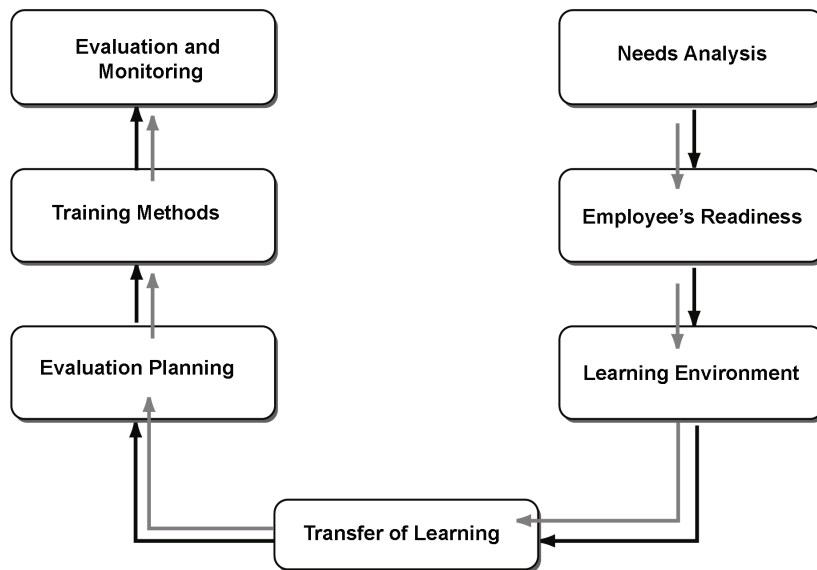


Figure 3.6: A training development programme process model

Source: Noe, R.A. (2002) pg. 6

The training process begins with the needs analysis which is carried out in seven stages.

- The first step is the analysis of the organisation, duties and individuals to decide the exact training needs.
- The second step is to ensure the participants are ready to attend the training, and are motivated and able to learn.
- The third step is needed to create a suitable learning environment so that the objectives of the programme are materialised.
- The fourth step involves transfer of learning to ensure the participants have the opportunity to put into practice what has been learnt in the programme at their work place.
- The training evaluation should then be planned in order to measure its effectiveness.
- The sixth step stresses on the choice of suitable training methods and techniques based on the objectives and learning environment.
- The last step involves evaluating and monitoring the programme to ensure that the objectives of the programme are achieved.

From the discussion above, we can summarise that in general, the activities in a learning process can be divided into four phases as shown in Figure 3.7.

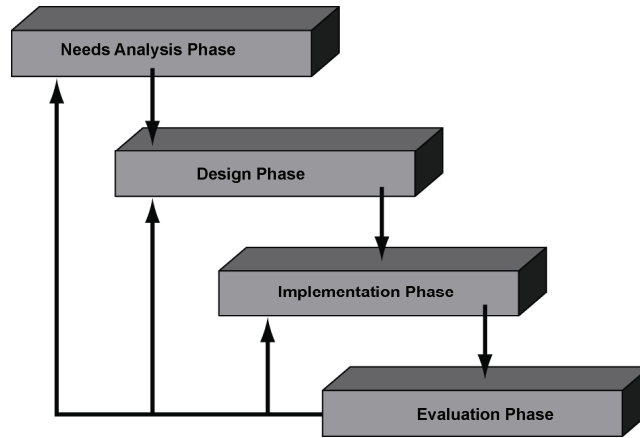


Figure 3.7: A training process

Every phase should be inter-related. Therefore, in order to come up with an effective training programme, close attention should be given right from the first step up to the last step of the process. Besides, we should also review the outcome of each phase to identify any weaknesses or errors.

3.11 CAREER DEVELOPMENT



THINK

According to your understanding, explain the definition of career development.

There are individuals who equate career development with training. Actually, the career development and training are of different concepts. Career development has a bigger focus and scope and covers a longer period. The purpose of training on the other hand, is to improve an employee's job performance. But, in career development, the main objective is more towards producing employees who are capable and competitive in all aspects. Therefore, a career development programme cannot be implemented within a short period of time, but more towards a continuous effort which is formal and organised.

Mondy and Noe (2005) define career development as:

Career development is a formal approach used by organisations to ensure employees have the desired qualifications and skills when required.

A formal career development is crucial to ensure that the workforce is motivated and committed towards the organisation. Specific career development tools in career planning and career development programmes are used. This includes various forms of training and the application of the organisation's development techniques.

DeSimone, Werner and Haris (2002) on the other hand define career development as:

Career development is also seen as a continuous process that involves the progression of an individual through many stages of life and every stage has its own issues, terms and tasks.

In general, we can say that career development is a continuous effort and is focused towards developing an individual who is skilful, capable and experienced. The organisation and the employee must both be involved in the career development because it gives a lot of advantages to both parties.

The career development involves three phases namely, the evaluation, direction and development phases.



YOUR IDEA

What are the efforts that you have made towards your career advancement? Were you successful in your efforts?



THINK

The career development process involves three phases, the evaluation, direction and development phases. Elaborate the three phases.

The three processes of designing a career development programme are shown in Figure 3.8.

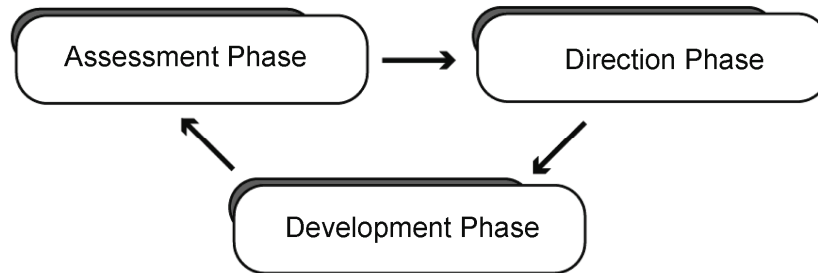


Figure 3.8: Career development process

Source: Adapted from Gomez-Mejia, Balkin and Candy (2004)

(a) **Evaluation Phase**

The evaluation phase involves activities like self-assessment and assessment by the organisation. The objective of having evaluation is to identify the employee's strengths and weaknesses. Indirectly, this can help an employee choose a career which can be attained and which is suitable for him. Through evaluation, an employee can also identify the weaknesses that he needs to overcome in order to achieve his career goals.

(b) **Direction Phase**

The direction phase involves determining the career desired by the employee and the steps that should be taken in order to realise his career objectives. This can be done by using two approaches which are (i) individual career counselling and (ii) information service.

(c) **Development Phase**

The development phase involves activities to develop and enhance the employee's skills as preparation for future jobs. Among the development programmes that are commonly carried out in the organisation are mentoring, coaching and job rotation.

The career development process can be summed up as shown in Figure 3.9.

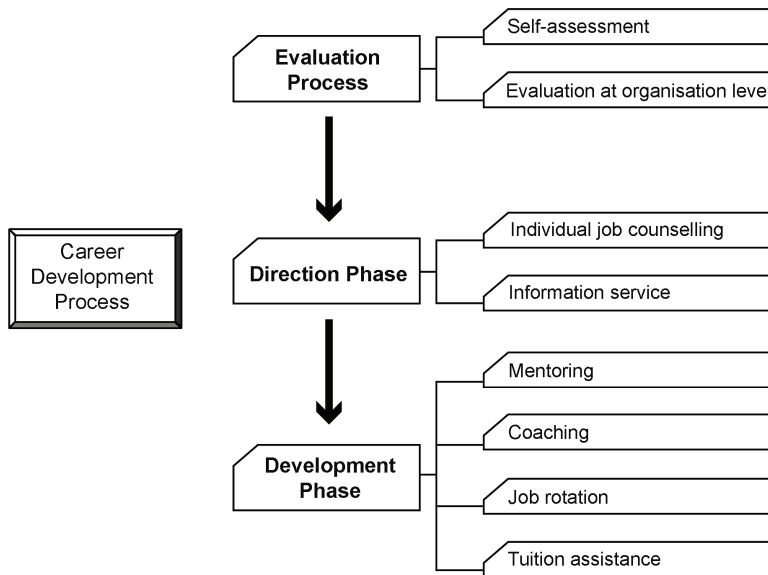


Figure 3.9: Career development process



YOUR IDEA

Based on your own experience, try to recollect the methods you used to choose a career. Make a list of the factors which influenced your choice. Then, state whether you are satisfied with your current career. You can share your opinions with your friends.

3.12 CHOICE OF CAREER AND PERSONALITY



THINK

In your opinion, does personality influence an individual's choice of career? Why?

A few years ago, when Peter Drucker was asked about choice of career, he answered: "The chances of getting a job suitable to your needs is one in a million." He added, "If you consider your first job as the best and the most suitable, you are actually someone who is lazy." (Bohlander, Snell, Sherman, 2001). If we look more closely, there is some truth in his statement. A person should continue trying and is able to change his career path in order to get a higher level of satisfaction from the psychological and financial aspects.

In choosing a desired career, an individual can get help from various sources. A university counsellor or consultant for example, can help in making evaluation on attitudes, abilities, interests and the values related to the career chosen. Other than that, success in career development also depends partly on the individual’s ability to carry out an accurate self evaluation. In carrying out self-assessment, the individual’s personal factors like academic level and achievement, job attitude and skills, social skills, communication skills, the ability to be a leader, interests and values are important. These factors can be measured using the tools developed by psychologists like the Strong Vocational Interest Blank (SVIB) and Campbell Interest and Skill Recovery (CISS). SVIB was developed by E.K. Strong Jr. and is regarded as the earliest measurement for testing an individual’s interests. SVIB is now known as Strong Interest Inventory.

Other than that, John L. Holland, an expert in career counselling, has carried out a research and has proposed a career choice theory. According to Holland, the choice of career actually displays a person’s personality and is not caused by an event although sometimes opportunities do play a part. Holland also believes that every achievement in an individual’s career depends on his personality and his work environment. Therefore, he believes that all of us have at least one of the six kinds of personalities as mentioned in Table 3.4.

Table 3.4: Holland’s Career Choice Models

Personalities	Job Environment
Realistic Enjoys using tools and machines, wood work, enjoys using physical strength	Farming, forestry, building, wood
Investigative Likes to observe and understand data, does not enjoy social activities	Biology, mathematics, engineering, geology
Social Enjoys activities involving people, education, likes to give training, and share information with other people	Psychology, social work, preaching
Conventional Enjoys working in a structured situation, likes to receive instructions	Accounts, finance, military, clerical
Enterprising Enjoys oral activities and influencing other people	Management, law, sales, employee relationship
Artistic Enjoys own creative sayings, does not like repeated activities	Arts, music, drama, interior decoration

Source: Adapted from Kossek and Block (2000)

After making a career choice, although tentatively, the next step is to decide where you want to work. The choice of organisation is usually based on factors such as location, the job vacancy that is to be filled, salary and others.

According to Douglas Hall, an individual will normally choose an organisation based on the environment and how far it fulfils his desire (Bohlander, Snell and Sherman 2001). An individual who has a strong desire to succeed may choose an organisation that is aggressive and is achievement-oriented. An individual who enjoys power will look for a more prestigious organisation and is power oriented while a passive individual will choose an organisation that is friendly and easy and will always give support. However, the effects of the various changes taking place has denied the individual the opportunities to remain in one organisation only throughout his career. To continue being successful in his career, an individual should be more flexible and ready to work in various organisations.



YOUR IDEA

What are your comments on Holland's choice of career model? Do you agree with the discussion given? You can discuss and exchange ideas with your other friends.

SUMMARY

.....

Performance evaluation is a critical activity in human resource management as it is important in increasing organisation's competitiveness. In short, performance evaluation is a process to evaluate work performance at a particular duration, in order to determine that the level of achievement is based on the organisation's strategic objectives. What is important here is that the developed performance evaluation system is able to motivate employees to improve their performance thus increasing organisation's productivity. By this, an effective performance evaluation system is able to ensure that all parties, be it management or employees, are able to be benefited from it. At the same time this will help to strengthen the position of and ease human resource management. Furthermore, it helps to achieve objectives and organisational goals.

Training and development is a function of human resource that should be implemented so that an employee is equipped with the knowledge, skills and abilities required to help realise the objectives of the organisation. Staff competition and ongoing changes demand an organisation to react accordingly. Therefore, an organisation needs employees who are capable, knowledgeable, skillful and are able to give the organisation a competitive edge.

There are four phases in a training process that need to be addressed namely, the needs analysis, design, implementation and evaluation. Every step is closely inter-related, and the outcome of each step will form the input for the next step. Therefore, all phases in a training process should be given special attention.

Career and jobs are two different concepts. Career can be referred to all the jobs held by an individual throughout his working life. In an organisation, the efforts carried out by the human resource manager to help an employee achieve his job objectives, is known as career development.

In the process of designing a career development programme, three main phases i.e the evaluation phase, the direction phase and the development phase, will be followed. The evaluation phase involves self-assessment activities and evaluation on the part of the organisation. The direction phase involves defining the kind of career desired by the employee, and the steps to be taken so that the career objectives will become a reality. The development process on the other hand, involves activities for developing and improving the skills as preparation for getting job opportunities in future. Lastly, John L. Holland, a career counselling expert, believes that the achievement of every individual depends on his personality and his job environment. Therefore, each of us has at least one of these six personalities: realistic, investigative, sociable, conventional, enterprising and artistic.

ASSESSMENT 1

Essay Questions

1. What is the connection between training and development in human resource management?
2. Explain the differences between training and development.

ASSESSMENT 2

Essay Questions

1. Internal and external changes can influence training and development in an organisation. Write a short explanation by giving relevant examples.
2. State the differences and similarities of the three training models discussed in this topic.

ASSESSMENT 3

Essay Questions

1. Elaborate the differences between career and career development.
2. In the process of designing a career development programme, three phases, namely the evaluation phase, the direction phase and the development phase will be followed. Name the programmes that are usually carried out in the development phase.
3. State briefly the characteristics of an individual listed in the conventional personality. Give an example of a job environment that is considered suitable.

ASSESSMENT 4

Multiple-choice Questions

1. Muslim has just completed his Form Five. He is beginning to imagine a job that he desires and is evaluating some job opportunities in the local newspapers. Which stage of the career development is Muslim at?
 - A. Early career
 - B. Preparation for work
 - C. Joining an organisation
 - D. Mid-career
2. At which career phase does an employee concentrate on his security needs?
 - A. Improvement phase
 - B. Retirement phase
 - C. Apprenticeship phase
 - D. Maintenance phase
3. According to Holland, a _____ personality has a liking for manipulation activities and likes to work with objects, machines or enjoys working in open areas.
 - A. realistic
 - B. social
 - C. artistic
 - D. conventional

4. The career development process that involves spontaneous and continuous discussions between a manager and an employee about career objectives and career development is _____.
- A. mentoring
 - B. career rotation
 - C. guidance
 - D. career path

Topic ► Compensation 4 and Incentives

LEARNING OUTCOMES

By the end of this topic, you should be able to:

1. Explain the significance of compensation and incentives;
2. Describe two types of compensation and incentives; and
3. Discuss issues related to compensation and incentives in an organisation.

► INTRODUCTION

Compensation administration is one of the most important functions in Human Resource Management. Even though it is the most difficult and challenging activity, it helps strengthen the culture and the important values of an organisation. Policies and practices in an organisation stresses on rewards based on results are able to strengthen employees' behaviour so that they are more dedicated in increasing their productivity (Stone, 1998). Indirectly, compensation administration is an important tool to increase employee motivation in improving work performance so that the organisation's strategic objectives are achieved. Compensation administration policies should not only be able to motivate employees, but it should also attract and retain competitive employees. Therefore, employees also expect that the compensation system of an organisation is just and fair in providing a reward system that is at par with the skills and performance demonstrated.

The major factors that determine the reward payment rate of a certain job are work load and job importance. However, wage payment that is only based on these factors often fails to motivate employees to reach their full potential. In other words, an equal salary is not an assurance that employees will produce high productivity. In this case, incentives and benefits are believed to be a major influence that can help increase productivity, encourage employees to fully

utilise their skills and knowledge in carrying out their jobs, as well as encouraging them to work as a team.

Therefore, awarding incentives and benefits to employees is another very critical aspect that needs to be planned and managed by the management, especially the human resource management unit. In this topic, we will discuss both compensation and incentives.

4.1 DEFINITION OF COMPENSATION

Compensation is the total of all rewards provided to employees in return for their services (Mondy, 1999). Ivancevich (2001) defines compensation as all forms of financial and benefits as well as clear and apparent services which are accepted by employees as part of work relations. There are two components in compensation administration, which are fixed component and variable component. A fixed component is in the form of basic salary whereas a variable component is the payment based on performance such as bonus or profit sharing and benefits such as health insurance and annual leaves.

4.2 TYPES OF COMPENSATION

Nankervis (1999) stated that employees will focus on a few compensation factors such as those shown below:

- Is my salary equivalent to the performance I demonstrate?
- How is my fee compared to other employees in this organisation?
- How is my fee rate compared to the market fee rate?
- How can I increase my fee rate?
- What are the incentives and benefits which I will be able to receive?

Based on the employee expectations which are listed above, compensation administration programmes are not only to motivate employees but at the same time saves labor cost effectively. Even though wages is the main factor why an individual works, non-monetary rewards are also important as a source to motivate employees to work with more dedication in order to increase their performance. Indirectly, two types of rewards need to be included in an organisation's compensation administration programme, as shown in Figure 4.1.

Rewards offered to employees can be in the form of monetary or non-monetary rewards. Monetary rewards offered are offered directly or indirectly whereas non-monetary rewards are satisfactions obtained through be holding the posts or through the working environments concerned.

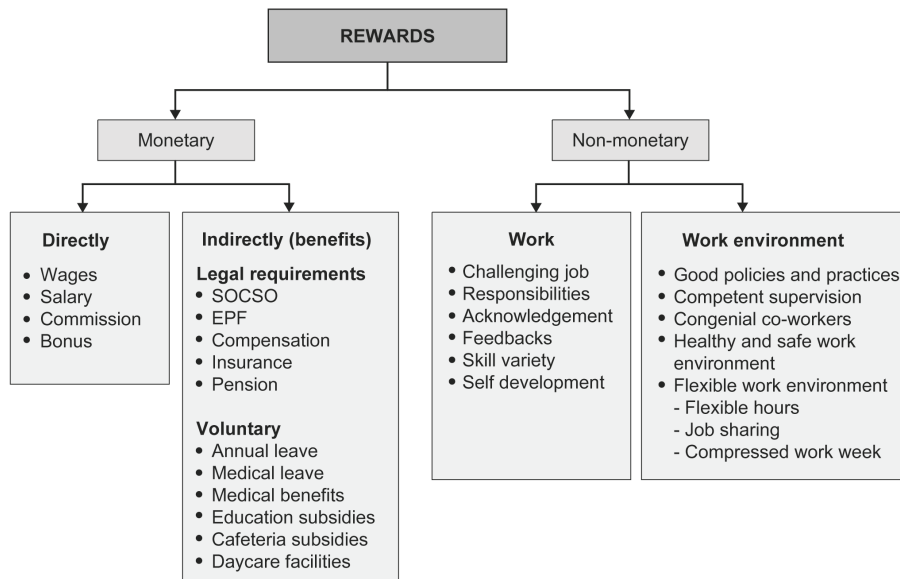
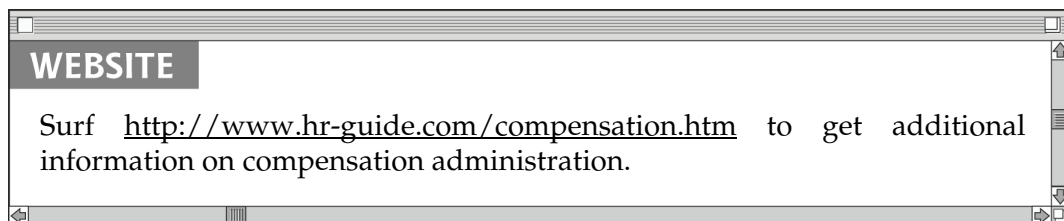


Figure 4.1: Types of rewards

Source: Adapted from Stone (1998), pg 431

Indirectly, monetary rewards can be in the form of cash or benefits whereas non-monetary rewards is the satisfaction the employee feels as a result of his or her position or from the working environment mentioned (Mondy, 1999).

- Direct monetary rewards are in the form of cash, such as wages, salary, commission and bonus.
- Indirect monetary rewards on the other hand are in the form of benefits such as insurance, annual leave, medical leave, flexible working hours and others.
- Non-monetary rewards from the work aspects are interesting jobs, challenging, work responsibilities, acknowledgement and career development.
- Non-monetary rewards from the work environment aspects are good policies and practices, competent supervisors, congenial colleagues and a safe and healthy working environment.



4.3 STRATEGIC COMPENSATION PLANNING

Strategic compensation administration is one way of offering a compensation package to employees to increase their motivation and at the same time to align their efforts so that they are in line with the organisation's objectives, philosophies and culture. A compensation administration policy is one way of supporting strategic compensation administration. The compensation administration policy designed has to:

- focus on business objectives and strategies;
- attract and retain competent, motivated and qualified employees;
- encompass organisational reward principles and philosophies;
- prepare wage allocation outline;
- strengthen values and culture desired by the organisation; and
- relate to all employees.

Each compensation administration policy formed has to benefit both the organisation and its employees. According to **Stone** (1998), compensation administration objectives are as follows:

Organisation

- To attract and retains quality and the desired employee participation.
- Motivates employees to improve their work performance in the effort to achieve organisation's strategic objectives.
- Strengthens main values and culture desired by the organisation.
- Encourages and strengthens work behavior as desired by the organisation.
- Ensures compensation is maintained at a competitive level.
- Controls compensational cost.
- Ensures optimum returns on each ringgit spent.
- Abides legal requirements.

Employee

- Prepares fair and just rewards.
- Giving out rewards equivalent to the performance as demonstrated.
- Prepares flexible wage structure based on performance, promotion, transfer and changes in the environment.

- Re-assessing compensation structure by taking into account the effect of equity.

The development of compensation policy has to be consistent with the organisation strategic objectives and it involves four phases as shown in Figure 4.2 which are:

- corporate mission;
- business strategies;
- human resource strategies; and
- compensation administration strategies.

The compensation administration strategy explains the organisation's compensation goals and states rewards which will be given by the organisation based on human resource strategies, business strategies and corporate mission. Corporate mission, business strategies and the compensation administration strategy are directed to the formation of the compensation administration strategy.

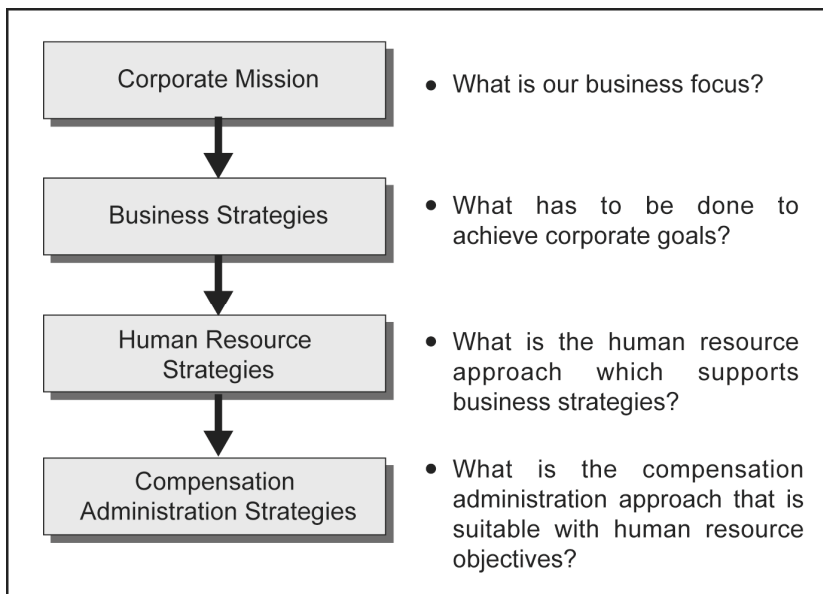


Figure 4.2: The relationship between organisation objectives and compensation administration strategies

Source: Adapted from Nankervis, Compton & McCarthy (1999), pg 440



YOUR IDEA

State your view on whether you agree or disagree on the following issues and give a valid reason for your answer.

1. All employees are eligible for annual salary increment without taking into account their performance.
 - (a) Agree
 - (b) Disagree

2. An unattractive salary and benefit package decreases employee motivation to excel in their work.
 - (a) Agree
 - (b) Disagree



EXERCISE 4.1

Essay Question

1. Explain **TWO** types of compensation which can be offered by an organisation to its employees.

4.4 FACTORS THAT INFLUENCE WAGE RATE

Nankervis (1999) stated that a few factors like external or internal will influence the wage rate developed by an organisation. These factors are as shown in Figure 4.3, which include the legal environment, market demands, work values, compensation administration strategies and personal factors.

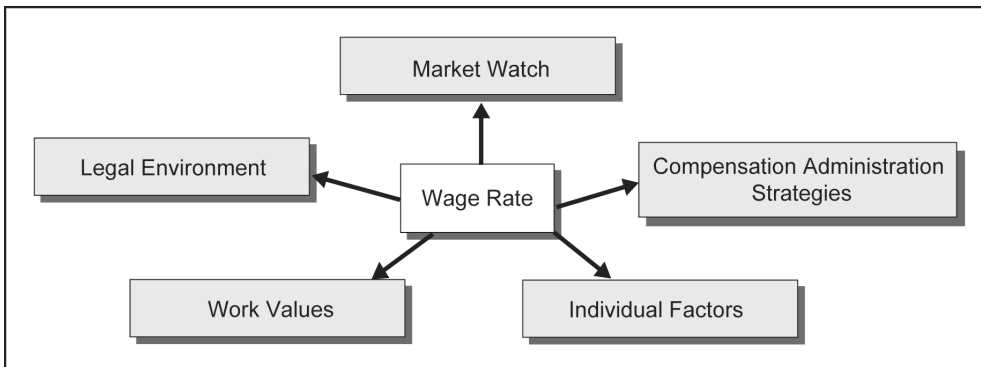


Figure 4.3: Factors which influence payment rate

(a) **Legal Environment**

The compensation policy in every organisation has to be aligned with the legal labor requirements in a country. Among the issues related to wage rate, are:

- minimum wage rate;
- fixed wage component; and
- variable wage component.

For example, in Malaysia, a Salary Reformation System Guideline has been designed to increase efficiency and productivity which in turn will assure the nation's competitiveness and increase employees' quality of life (**Ministry of Human Resource, 2002**).

(b) **Market Survey**

Organisations have to conduct environmental scanning in the labor market to review the relationship between demand and qualified manpower supply. Beside that, organisations also have to take note on other information before a certain salary policy is set. The information includes:

- The differences between local wage rate and city and suburban wage rate;
- The different wage rates for works from the same work groups; and
- The different wage rates in the same industry.

Economic environment including inflation, unemployment, manpower participation level, increase in education status, lack of specific skills and others.

(c) **Working Values**

Each organisation has to have its own values in increasing employee motivation to work productively. Among the working values that need to be focused on by an organisation are:

- The latest knowledge and experience;
- Task complexity can be solved easily; and
- Problem solving is a path towards excellent work performance.

(d) **Compensation Administration Strategies**

Compensation administration strategies are formed as a way to achieve organisational strategic objectives. The development of this strategy has to be focused on a few questions such as:

- The purpose of giving the rewards to employees – the relationship between rewards and results achieved by the organisation;

- The employer's ability to give rewards to employees; and
- The type of employees desired by employers.

(e) **Individual Factors**

Other factors that need to be considered are factors on individual performance which are as important in creating more motivated employees to carry out work exceptionally. A few factors that have to be thought of are:

- Individual contribution towards the organisation;
- Real performance compared to forecasted performance; and
- Skill development or competency.



YOUR IDEA

How can legal factors influence wage rate in our country?

4.5 COMPENSATION ADMINISTRATION ISSUES

An organisation's compensation administrative system has to consider flexible characteristics towards developing a compensation administrative strategy which is able to retain employees for a longer period. Payment based on flexibility will ensure that the compensation administration system connects employee performance and reacts towards economic environment in the organisation's external environment. A few issues on compensation administration which should be highlighted to the human resource manager are as follows:

(a) **The Influence of Equity on Wage Rate**

According to **Dessler** (2000), equity factor whether internal or external are critical factors in determining wage rate. External factors take into account the similarities between an established wage rate and other organisations' wage rate to attract and retain capable employees. On the other hand, internal factors stresses on fair wage when an employee compares his or her wage with the wage rate of a colleague in the organisation. In general, an established salary grade must take into account both issues in creating equity on the wage rate developed.

(b) **Salary Acceptance Culture**

The main challenge for human resource managers is to change employees' perception on salary acceptance. Basically, rights mentality to "accept salary as a result of being present in the workplace" has to be shifted to

contribution mentality which is “payment based on contribution demonstrated.” This paradigm shift requires human resource managers together with other managers to unite with the top management to show commitment towards change in increasing employee productivity.

(c) **Wage Assurance**

A strategic compensation administration is able to motivate employees to increase their performance. Various compensation plans have to be developed to create wage payment assurance including basic salary assurance, service allowance or living expenses, other financial benefits that need to be increased from time to time such as housing allowance. The wage rate developed also has to be revised so that an increase in basic salary follows the increase in living costs.



YOUR IDEA

Do you agree or disagree with the following statements? Give a valid reason for your choice.

1. Do you agree that a top executive be given a high salary compared to lower position employees and does this show a fair organisation compensation administration system?
 - (a) Agree
 - (b) Disagree
2. Do you agree if the government enforces minimum wage?
 - (a) Agree
 - (b) Disagree
3. Payment based on performance is only a fantasy in an organisation.
 - (a) Agree
 - (b) Disagree
4. Annual increment has to be based on performance demonstrated.
 - (a) Agree
 - (b) Disagree



EXERCISE 4.2

Multiple Choice Questions

1. Which one of the following is a direct monetary reward?
 - A. Flexible work timetable
 - B. Bonus
 - C. Insurance
 - D. Annual leaves

2. Compensation administration policy developed has to consider the following elements **EXCEPT**:
 - A. focuses on organisational objectives
 - B. retaining employees
 - C. connected to all employees
 - D. wage structure which does not change

Essay Question

1. Explain **TWO** challenges which are faced by human resource managers in developing an effective salary structure.
2. What is meant by compensation?
3. List **FIVE** examples of indirect monetary reward.
4. List factors which need to be considered when developing compensation administration policies.

4.6 INCENTIVES



THINK

In your opinion should employers give incentives to their employees? Try and imagine what will happen if employers do not award any incentives to their employees.

An incentive programme is also known as a variable pay plan. The incentive payment to employees is often seen as an additional dimension to the salary

structure or compensation. Let us look at the current situation whereby often the salary increase in salary scheme cannot compete with the increase in living costs. Without an interesting incentive plan, what will happen to our employees and their overall organisation performance? We will explore in detail on the incentive plans offered by the organisation.

4.6.1 Importance and Relevance of an Incentive Plan

Global competition and the restructure of the global economy require a business to be more productive. Payment strategies and payment systems used previously are already outdated causing an organisation unable to compete at the international level. In addition, the traditional payment system often fails to connect payment to the performance or productivity effectively. Therefore, more and more organisations are beginning to offer incentive plans to their employees in addition to the existing basic salary structure.

Among the main reasons an organisation carries out an incentive plan is so that it focuses on “payment for performance” and is able to connect rewards to the organisation’s goals. Therefore, an employee will be more loyal and faithful to his or her job thus is able to increase his or her overall effort and job performance.

Apart from that, it is said that incentives can also encourage employees to work harder in completing their tasks. Therefore, monetary incentives are offered to employees with the hope that productivity and quality can be sustained or improved thus enabling an organisation to compete globally.

In addition, a competitive labour market also forces the organisation to compete and offer various interesting incentive plans to attract and retain quality employees in the organisation.



EXERCISE 4.3

Essay Question

1. Give TWO reasons why the management carries out incentive plans.

4.6.2 Advantages of an Incentive Payment Programme

Among the advantages of an incentive programme are as follows:

- Incentives enable an employee to focus on his or her specific job performance target. It provides motivation to the employee thus producing a satisfactory result.
- Incentives are variable costs that can be related to result achievement which is encouraging the increase in output.
- Incentives can also be directly related to operation's achievement whereby if the performance objective is met, incentives will be given. On the other hand, if employees fail to fulfill the performance objective, no incentives will be given.
- Incentives encourage employees to work as a team and increase dependency as payment for individuals depends on a group's achievement.
- Incentives also encourage success sharing among those involved in achieving the performance.

4.6.3 Characteristics of an Effective Incentive Plan

To carry out a successful incentive plan, the organisation has to develop an attractive incentive plan and try to convince the employees on its advantages. Among the characteristic of an effective incentive plan are as follows:

- Involves employees in the development and administration of the incentive plan which can then increase employees' acceptance;
- Employees can clearly notice the relationship between the incentive payment they received with their work performance;
- Emphasise that incentives are received through employees' efforts and not due to rewards which all employees are eligible to enjoy;
- Incentive programmes are fair to all employees;
- The standard quality or productivity used as a benchmark in awarding incentives has to be challenging but achievable for employees; and
- The incentive payment formula introduced has to be simple and easily understood by employees.

4.6.4 Incentive Plan Administration

Usually, an effective incentive plan is able to decrease direct labor cost, but for an organisation that wants to enjoy the full benefit of the incentive plan, it needs to be thoroughly planned and carried out carefully. An effective incentive plan administration has to take into account these following issues:

- The manager is willing to give incentives based on the difference in the performance of individuals, teams and the overall workforce.
- The annual budget has to be sufficient in giving rewards as well as validating excellent performance.
- Indirect cost which is related to administration and the execution of the incentive plan have to be identified. This includes the cost to develop performance standards and additional cost for records purposes. Aside from that, the time used in conveying the incentive plan to employees, answering questions that arise as well as handling related complaints have to be considered in the calculation of cost.

4.6.5 Types of Incentive Plans



THINK

Try to think of the factors that may influence the development of an incentive plan offered by an organisation.

There are many types on incentive plans that can be practiced by an organisation and each organisation usually has their own incentive plan. Generally, an incentive plan can be divided into three categories:

- Individual incentive plan;
- Group incentive plan; and
- Industrial incentive plan.

(a) **Individual Incentive Plan**

There are a few incentive plans that can be developed as a reward for individual employees as a result their excellent work performance. These include:

- Work unit
- Standard hour plan
- Bonus
- Merit payment

- Sales incentive
- Maturity curve

(b) **Group Incentive Plan**

Various group incentive plans starting to get the attention of management as a result of total quality management practised and cost saving in achieving competitiveness. Beside that, group incentive plans are also done when an employee's individual effort is difficult to identify or when management wants to encourage cooperation in the overall organisation.

The group incentive plan is able to encourage cooperation, teamwork among employees and give rewards to employees for their united contribution towards the organisation. Among the group incentive plans are:

- Team incentive plan
- Profit sharing incentive plan

(c) **Industrial Incentive Plan**

An industrial incentive plan is different from individual and group incentive plan, whereby it involves all employees in the organisation. In other words, industrial incentives give rewards to all employees based on the organisation's profit in a certain period of time. The purpose of this plan is to create a culture that encourages cooperation and teamwork among the employees in the organisation. Among the industrial incentive plans are:

- Profit sharing
- Share ownership



YOUR IDEA

We have discussed the three type of incentive plans, which are individual, group incentive and industrial incentives that can be offered by an organisation to its employees. Try to think about the differences between the three incentive plans.

4.7 BENEFITS

THINK

What is the importance of benefits to an employee? What are the forms of benefits that are usually given by employers to their employees?

In general, most organisations provide various benefits to their employees as an addition to their salary or as wages paid to the employees. Employees' benefit programme is a form of indirect reward with the purpose of improving work quality and employees' personal lifestyle. By this, the management hopes that employees will be more productive and loyal to the organisation.

YOUR IDEA

Explain why an organisation chooses to offer the cafeteria benefit plan to its employees.

4.7.1 Types of Benefit Programme

Most organisations offer various benefit packages to their employees. Part of the benefit package provided by an employer is based on the voluntary concept rather than force. However, there are also benefits which are compulsory or need to be provided by management due to legal requirements. In other words, there are two types of benefit programmes, which are:

- mandated benefits programme; and
 - non-mandated benefits programme.
- (a) **Mandated Benefits Programme**
Mandated benefits programme is a benefit set by the labor system. It is the most minimum allotment on employee rights and has to be provided by employers. Among the mandated benefits include:
- payment for time off;
 - maternity leave protection;
 - contribution to Employees Provident Fund (EPF); and
 - Social Safety Scheme (SOCSO).

(i) **Payment for Time Off**

- **Weekend time off**
Employees have the right to enjoy one day leave each week as allocated under section 59(1) Employment Act, 1955.
- **Public holiday**
According to section 60D(1) Employment Act, 1955, employees are eligible for 10 days public holiday in a year and will still be paid the basic salary rate. The 10 days allocated need include the following four days:
 - the Independence day
 - the Birthday of Yang di-Pertuan Agong
 - the Birthdays of the Sultan or the Yang di-Pertua Negeri or the Federal Territory day
 - the Labor day
- **Annual Leave**
Under Section 60E of Employment Act (1955), an employee is eligible to enjoy a number of minimum annual leaves according his or her service period.
- **Medical Leave**
Under Section 60F of Employment Act (1955), an employee is eligible to enjoy a number of minimum medical leaves according his or her service period.

(ii) **Maternity Leave Protection**

Under Section 37 of Employment Act (1955), every woman employee is entitled for at least 60 days of maternity leave each time she gives birth. Moreover, she will also enjoy maternity allowance for five living off springs.

(iii) **Contribution on Employee Provident Fund (EPF)**

As allocated under the EPF Act, 1991, each employee an employer has to contribute to the employees account in the EPF. This is to encourage employee saving for their retirement.

(iv) **Social Safety Scheme (SOCSO)**

This scheme is allocated under the Employee Social Safety Act, 1969 and is managed by the SOCSO. The purpose of this scheme is to provide protection for employees in case any disasters, injuries and death befall them during work.

(b) Non-mandated Benefits Programme

Non-mandated benefits are benefits offered by employers to employees voluntarily and without force. Usually, non-mandated benefits are offered for the purpose of attracting new employees with potential and talent from outside the organisation as well as to increase employees' satisfaction and motivate them. Among the non-mandated benefits that are usually provided by employers to the employees are:

- Insurance Scheme
- Healthcare
- Employee Aid Programme
- Children Day Care Center
- Food Service
- Transportation Service
- Education Amenities
- Loan Amenities

- **Insurance Scheme**

A collective insurance scheme for employees is one of the benefits which are usually provided by employers. It usually includes life insurance, which assures benefit payment on death to the employee's next of kin, or protects from accidents or injuries. Premium insurance cost is borne by employers and employees are usually allowed to make additional purchase at their own expense.

- **Healthcare**

This is a benefit package that has currently gained serious attention from employers since healthcare cost is very high. In addition, employees nowadays emphasise more on healthcare as compared to employees before. The benefit package usually consists of medical expenses, surgery and oral expenses.

- **Employee Aid Programme**

This program is designed to help employees handle various problems that might affect their work performance. Among the services offered under this programme include advice, treatment related to drug and alcohol as well as emotional disorder.

- **Children Day Care Center**

The increase of female employees as well as dual income families has forced employers to provide another amenity in the work place that is more family-friendly which is the child day care center. The preparation

costs for this center is either borne entirely by the employers or employers only provide the amenity and employees utilising the amenity have to pay for the operation cost.

- **Food Service**

Food service is provided for employees' convenience as well as to encourage employees to always be in the workplace vicinity. The food provided are either sold at cost price or lower than cost, which is due to employer subsidy.

- **Transportation Service**

Transportation to and from the workplace is provided by the employer. This not only lessens traffic in the firm's parking space, but is also said to decrease fatigue and absenteeism.

- **Education Amenities**

Most organisations offer scholarships or study loans to employees who are interested to further their studies in specific fields. This is in line with the organisation's effort to create knowledgeable employees and to encourage a continuous learning culture.

- **Loan Amenities**

There are also organisations which offer financial loan amenities to their employees without charging any interest or by charging a much lower interest rate compared to financial institutions outside of the organisation. The financial loan is for the purpose of purchasing houses and vehicles.



YOUR IDEA

What are the differences between mandated benefits and non-mandated benefits?

**EXERCISE 4.4****TRUE (T) or FALSE (F) statements.**

1. The Rucker Plan is a type of incentive plan which give rewards to employees for useful ideas or suggestions given by employees to improve productivity.
2. To ensure the effectiveness of incentive plan, an employee has to see the relationship between the incentive payment which they receive with their work performance.

Multiple Choice Questions

1. An effective incentive system is when _____.
 - A. the standard performance is not stated clearly
 - B. employees see incentives as a must
 - C. the manager evaluates incentives based on differences in performance
 - D. cost related to the incentive plan is difficult to determine
2. The following are examples of individual incentive plans EXCEPT:
 - A. sales incentive
 - B. bonus
 - C. merit payment
 - D. share ownership

Essay Questions

1. If an employee's salary is RM500 a month, how much is the total employer and employee contribution to SOCSO?
2. Explain the meaning of mandated benefits and provide **TWO** examples for them.
3. Explain the meaning of non-mandated benefit program and provide **THREE** examples for them.

SUMMARY

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Compensation administration is a critical activity in managing human resource and has to be more focused on giving consistent rewards to encourage employee behavior consolidation. This will then increase employee performance and employee loyalty so that they will remain in the company for a long time. Therefore, the compensation administration strategy has to be flexible to ensure a rapid response towards change and compensation administration trends in the labor market. Basically, the purpose of compensation administration is to gain high returns from the investment made by the organisation for its employees, in the form of salary. The rewards offered have to ensure organisation as well as employees benefited from it. An effective compensation administration system impact is when employees practice a work culture that emphasises on contribution compared to payment acceptance for being present in the workplace.

Incentive plan and benefits management nowadays are extremely challenging, complex and requires thorough planning to ensure the effectiveness of both types of rewards. A human resource manager especially needs to ensure that both incentives and benefits are designed and implemented well in order to achieve both rewards' original goals.

Topic ► Workplace 5 Well-Being

LEARNING OUTCOMES

By the end of this topic, you should be able to:

1. Explain the nine rights of employees and five rights of employers;
2. Compare different disciplinary approaches in organisations;
3. Explain the functions of trade unions;
4. Describe the process of collective bargaining; and
5. Explain the concepts of occupational safety and health and the related Acts.

► INTRODUCTION

If we look at the job scenario nowadays, there are many employers who have taken the steps to terminate the services of their workers as a way to reduce the operation cost. Through the collaboration and reconstruction that have been done, there are many organisations offer voluntary separation scheme (VSS) as one means to lessen the number of workers they already have. Nevertheless, there are also workers who have been resigned without receiving any compensation and logical reasons. Apart from using the excuse of the economic crisis, employers also use the excuses like indiscipline and do not present a good performance in work as what is expected just so they could sack the workers. There are workers who are given hard punishment for a little mistake they did and there are some who are not given the chance to defend themselves after they have been accused. However there are not many who are brave enough to come forward and lodge a report for they do not know their rights as workers.

Thus, in this chapter we will be discussing on two main issues which are rights and discipline. Both issues relate to one another especially in increasing the quality relationship between an employer and a worker.

Industrial relationship is also known as relationship between employer and his employees in certain working field. For most of the local organisation, the rapport or relationship that exists is based on the workers' welfare management.

Three important aspects that are focused in industrial relationship are the rapport between employer and the workers, working laws and discipline procedure as well as the end services contract. Apart from that, industrial relationship is also focused to the effect of the set of laws and rules towards the working environment, term and working surrounding, employer's right and responsibility as well as employees and process that involve in creating the rules and term.

Generally, the system in industrial relationship involves three respective parties which are the employer, workers and the government. This situation is being practiced in Malaysia even though there are a few foreign organisations that influence the industrial relationship system such as the International Labor Organisation a.k.a. ILO. Apart from that, several other codes are also responsible in manipulating the system as well.

For workers, they utilise the workers' congress as the based to highlight on their rights. It is important to know that industrial relation will not exist without the workers' congress. Thus, in the next section, we will be discussing about the scenario in workers' congress as well as the procedure in handling variance.

According to International Labor Organisation (ILO), it is estimated that more than 1.2 million workers do not enjoy their right to work in a secure and safe environment because accidents and diseases which are related to their jobs. Based on the statistics gained from ILO at APOSHO 16th Convention in Mauritius (April 2000), it was found that:

- Employers from all over the world suffered because of more than 250 million accidents every year;
- More than 160 million employees get ill because of the exposure to dangerous chemical at work place;
- More than 1.2 million death happened every year because of accidents and diseases which are related to their jobs and the total is higher than the total caused by road accidents every year from all over the world;
- More than 10 million employers suffered due to injuries and diseases which caused permanent disabilities and the loss of the source of income.

As compared to developed countries, death rates in most of developing countries are around five to six times higher. In Malaysia, on the other hand, much effort being done to reduce in work place accident rates such as implementing Health

and Work Security Act 1994 and forming enforcement agents such as Security and Work Health Department and National Institute of Security and Work Health (NIOSH) as well as conducting programs to educate and create public awareness, employees and employers on the importance of creating a safe and healthy working environment.

5.1 UNDERSTANDING THE RIGHTS OF EMPLOYEES AND EMPLOYER



THINK

Could you list out the rights of workers and employer?

Bohlander, Snell and Sherman (2004) defined workers' rights as a warranty that workers will get a fair treatment from the employer throughout their service. On the other hand, **Gomez-Mejia, Balkin and Cardy** (2001) classified workers' rights into three, which are workers' rights as what have been lined out by 'statute', the rights that are gained through the contract or agreement and other rights such as stated in Table 5.1.

Table 5.1: The Categories of Workers' Rights

Rights that are Lined Out by 'Statute'	Rights Gain from a Contract/Agreement	Other Rights
<ul style="list-style-type: none"> Protected from discrimination A safe working environment The right to form Trade Union 	<ul style="list-style-type: none"> Service contract Trade Union Implied contracts/job basis 	<ul style="list-style-type: none"> Receive an ethical treatments Privacy (limited) Freedom of speech (limited)

In Malaysia, there are many rights of workers have been listed out in various acts such as Workmen's Compensation Act 1952, Employment Act 1955, Employees' Provident Fund Act 1991, Human Resource Development Act 1992 and Occupational Health and Safety Act 1994. It is proposed that workers need to study a little bit about the acts which related to them so that they are not easily being oppressed by the employer.

From the employer aspect, they have the rights to handle business and to maintain the profits gained. Share holders and the company owner usually control their company by giving out power to the company managers.

According to **Gomez- Mejia, Balkin and Cardy** (2001), some of the management rights are:

- managing the work force;
- recruiting employees;
- promotion;
- placement for employees;
- discipline; and
- terminating employees.

However, the rights that have a direct relation to the employees' usually will be aligned according to the employees' rights. The employer's rights usually being influenced by the rights of the important teams exist in making decision at the workplace. For example, an employer has the right to decide on the employees' salary scale yet with Trade Union, employer must pay according to what have been agreed in the contract between the employer and the Trade Unions.

5.2 EMPLOYEES DISCIPLINE

Even though discipline is very important in an organisation, there is one challenging field in the function of human resource management. The main objective of discipline is to motivate employees to obey standard performance that have been set by the organisation. Discipline is also used in constructing or maintaining the respects and trustfulness among the employer and the employees. However, if it is not being well managed, it can stimulate problems like decreasing employees' motivation, provoke the employees' fury and also starts an unhealthy situation between the employer and the employees.

Discipline management which is effective not only will increasing the work performances of the employees but also able to lessen the total number of disciplinary problems in the future. Nonetheless, any discipline actions could not just simply be carried out. For those employees who are undergoing the process of training or learning how to do work are not reasonable to be taken action. Discipline actions also could not be carried out on the problems which are out of the employees' control like punish the employees for not doing their work because the lack of raw materials or the shortage of electricity. In brief, discipline only could be done is the manager can prove the problem which arise has been caused by the employees themselves.

5.2.1 Problematic Employees and Misconduct in an Organisation

Problematic workers always being related to their bad performances in their work or they usually bring in a lot of problems at the workplace. But according to **Ivancevich** (2001), problematic employees can be classified into four main categories which are:

1. employee whose work are not satisfactory in terms of quality and quantity due to lack of training, motivation and ability.
2. employee who has personal problems which affect the productivity and the focus of his work. For example, family problem, alcohol and drug addiction.
3. employee who breaks the laws during at their work place such as stealing the company's properties or attempt to attack other workers like fighting.
4. employee who keeps on breaking the rules and regulations of the company and disobey the manager's instruction.

Due to unknown causes with problematic employees, many take the easy route of sacking those deemed problematic.

In reality, there are many factors that could cause misconduct among the employees such as the attitude of the employee or the interaction between the two parties. **Miner (Ivancevich, 2001)** had devised a method to analyse the deficient behaviours of employees by way of producing a checklist of suspected causes of the problems. Among the causes are:

- Problems relating to the employees knowledge of the occupation
- Emotional problems
- Motivational problems
- Physical problems
- Family problems
- Problems with colleagues
- Problems caused by the company's policy
- Problems relating to society's value
- Problems in terms of occupational context (such as economic pressure)

5.2.2 Procedures and Discipline

Each organisation should construct a procedure and platforms of discipline for it would help the relevant authorities to take disciplinary actions and guarding the rights of employees. Employers are within rights to determine the regulations in relation to employees' actions during working hours but cannot go beyond Act 1955.

This Act is the base in maintaining the efficiency of the disciplinary system and is used to control the actions of the employees in accordance to company regulations. Failure of the employer to penalise workers will result in frequent misconduct in future. It would paint an image of employees' misdemeanors being tolerable. Among the causes identified as reasons of supervisors not punishing employees' misconduct are:

- Supervisors not making any records on employees' misconduct and resulting disciplinary actions cannot be taken.
- Supervisors believing that their actions will not have the backing of the upper management.
- Supervisors being unsure of whether misconduct need to be punished.
- Would like to maintain consistency because previously the employees was not punished.
- Supervisors wanting to be in favour by their subordinates.

Therefore, an effective regulation requires planning and application within an organisation. A few aspects that need attending when making regulation relating to discipline are:

- Clearly distributed to all employees and not to be taken for granted that all of them had been informed
- Needs to be revised from time to time
- Provide explanations on each regulation
- In written form
- Reasonable
- Be implemented and reminded
- Had been acknowledged by employees that they understood the regulations



YOUR IDEA

In your opinion, what attributes to the rising of offences within organisation nowadays?



EXERCISE 5.1

True (T) or False (F) statements.

1. If employees are found to have not been doing their work due to insufficient funds, they are entitled to be given a disciplinary action?
2. Ahmad is frequently found out to be making mistakes when asked to submit financial reports. Hence, we are justified to categorise him as problematic employee.
3. Offences can be caused by physical problems.
4. Violation of regulations and dress code can be deemed as major offences.
5. When devising regulations relating to discipline, employers are not advised to refer to Employment Act 1955.

5.2.3 Disciplinary Approaches

Employers are actually able to use any disciplinary approaches which were considered appropriate when discovering that employees committing an offence. For this topic, the following are the normal three approaches used by organisations. Furthermore, we can also noticed the mistakes committed by supervisors and those who are responsible to maintain discipline.

(a) Hot Stove Approach

Certain quarters believe that the *Hot Stove* Approach is more effective than the others for it applies the concept of taking necessary precautions. This approach has the characteristics of warning, is instant in nature, consistent and is not personal. If analysed closely, it is similar to the *Positive Discipline* Approach.

The following are explanations on Hot Stove Approach as stated in **Ivancevich (2001)** and **Carrell, Elbert and Hatfield (1995)**.

(i) Applies the Warning System

An effective supervisor would usually informed all employees regarding the warning system – be it in written or in oral form. Since

the supervisor is closest to the employees, it is thus his/her responsibility to remind the employees from time to time.

(ii) **Instant in Nature**

An immediate burn of disciplinary action is taken when it comes to this approach, as soon as an investigation is concluded. With this, the employees will immediately understand the correlation between the effects of their offences through the penalties meted out upon.

(iii) **Consistency**

Consistency in discipline means that each employee will be punished if they committed an offence, the same type of punishment will be applied to the same type of offences for all the employees. Implementing an consistent disciplinary action is not an easy task because it involves personal issues. It cannot be denied that supervisors are also human and they are times he/she might failed to notice offences had been committed by employees whom he/she likes.

(iv) **Non Personal Manner**

Disciplinary actions should not be taken in a non personal manner but more of a form of correcting certain inappropriate behaviour of employees. This could be done by way of corrective discipline whereby with this approach, supervisors will address employee misconduct in a mature manner by providing a conducive environment for employees to change their ways. The emphasis should be on corrective discipline and not for the sake of termination.

(b) **Progressive Disciplinary Approach**

This approach treats disciplinary problems in phases whereby the punishment will be more severe should the same offence be committed again. Unlike the Hot Stove Approach, Progressive Discipline allows employees the opportunity to mend their behaviour before facing punishments such as termination. This approach indirectly motivates employees to improve their conduct on a voluntary basis.

(i) **Verbal Warning**

For employees who has committed their first offences, warnings are given verbally by their supervisors. The supervisor will then warn that the punishment will be more severe should the same offence be repeated in future.

(ii) **Formal Warning**

Should the employee commit the same offence, a formal warning by way of a letter of warning will be given. The offence will be documented in their files and the employee will once more be told that a stricter punishment will be taken should it occur again.

(iii) **Suspension without Pay**

Should the employee still fail to adhere to the instructions, he or she will be suspended from work without pay. At this stage, the employee will be given a final warning and should they fail to address the problem, termination is the most likely punishment.

(iv) **Termination**

Termination is the last resort to be taken should the employee still unable to follow the instructions as given.

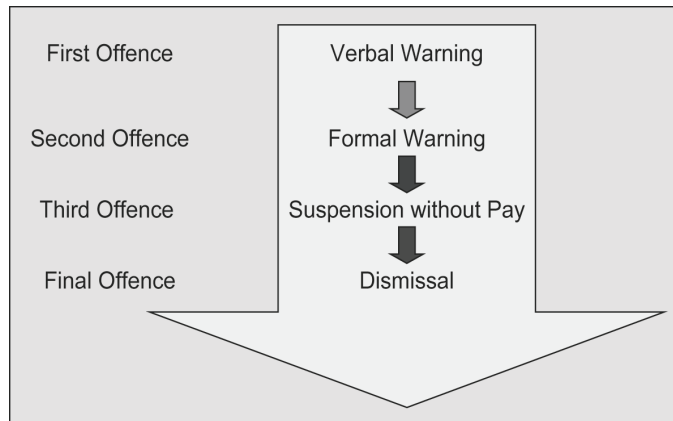


Figure 5.1: Progressive discipline approach

Source: Mathis, Robert L. and Jackson, John H. (2000) **Human Resource Management**, Ninth Edition, Ohio, South-Western Thomson Learning

(c) **Positive Disciplinary Approach**

In most cases, disciplinary actions will not motivate employees to change their attitude. In fact, they merely serve to educate the employees to be afraid and keep a distance from the supervisor instead of receiving the punishments. To avoid such complications, employees would resort to fraudulence instead of correcting their mistakes. Therefore, many organisations choose to convert Progressive Discipline to Positive Discipline. The latter approach is built upon the promise of offences are able to be rectified and does not require any sorts of punishment. Hence, despite the two approaches sharing the same processes, Positive Discipline replaces punishments with that of counseling sessions between supervisor and employee.

Counseling sessions are used to raise employee's awareness of their offences besides trying to find ways to overcome this problem. However, just like Progressive Discipline Approach, Positive Discipline Approach will terminate the services of employees who had committed major offence.

According to **Gomez-Mejia, Balkin and Cardy** (2001) plus **Mathis and Jackson** (2000), there are four steps in this Approach.

(i) **Counselling**

Counselling can be used as part of the disciplinary process for it allows the manager or supervisor an opportunity to identify employees' problems and also a solution to the problem. The objective of counselling is to enable the employee to understand the rules and regulations of the company or organisation. At the first meeting of this stage, both parties are expected to discuss the problems at hand and to find the appropriate solution.

(ii) **Written Documentation**

Should the employees failed to improve their performance or repeats the same offence, both parties are expected to meet once more and discuss the reason(s) why the solution did not materialise. Another solution is expected to be found at this stage and a contract will be made whereby the causes and solutions are documented with the concurrence of both parties.

(iii) **Final Warning**

When employees still failed to adhere to the written agreement as previously agreed upon, they will be called and be given a final warning. At this instance, the manager or supervisor will stress the importance to improve the quality of work or to address the mistakes made. The implication of failure to comply to the warning is also being stressed upon. Certain organisation would consider offering a day's off with pay to give the employee time to ponder whether to continue to work in this organisation or otherwise.

(iv) **Termination**

Failure to improve one's working performance or a repetition of the same offence will result in the termination of the employee.

One of the positive aspects of this approach is that it focuses on problem solving. Employees prefer to be treated with respect and usually they are more receptive to change after counselling sessions instead of Progressive Discipline. In certain cases, counseling sessions are able to create a more productive working environment between employer and employee. Employees are also active participants of the process hence it helps in absolving the employers from being blamed for unfair dismissal.

However, to carry out this approach requires huge financial cost in training managers and supervisors to be effective counsellors. Furthermore, the counselling sessions involve a longer period of time and in stages. This deter the employers and supervisors from applying this approach.



EXERCISE 5.2

True (T) or False (F) statements

1. Progressive Disciplinary Approach usually involves four stages and one of them involves the counseling session.
2. In the Hot Stove Approach, disciplinary actions are usually implemented instantly and with consistency.
3. One of the offences normally done by supervisors is frequently giving negative feedbacks towards employee.
4. For major offences such as theft, employees are usually given a warning before facing expulsion.
5. For off-duty transgression, employer can always dismiss employee without having to consider factors such as the relationship between the work and the offence, the duration of the work and interaction with the public.

5.2.4 Termination of Contract Procedures

According to the Employment Act 1955, an employer can terminate the services of an employee after an investigation has proven that the employee has committed an offence. During the duration of the investigation, the employer can suspend the employee for duration of not more than two (2) weeks. The suspension however, has to see to it that the employee receives at least half of his/her salary. Should the investigation prove that the employee is not liable then he/she is entitled to receive full payment of his/her salary during the suspension.

It has to be reminded that during the investigation of the misconduct, the employer has to document all the employees' offences in detail to avoid from making the wrong decision. Among the items needing documentation are:

- Date, time and place of incident
- Negative performance and attitudes of the employee
- Effects of the offences on the performance of others
- The disciplinary action to be taken and the expected change(s)
- The expected action to be carried out should employee remains unchanged

- The reaction of the employee on the actions taken against him/her
- Names of witnesses (if available)

If employers intend to terminate the employees, below are a few tips provided by **Bohlander, Snell and Sherman** (2001):

- **Dismiss employee if there are valid reasons**
Employers should always understand that reason(s) of firing the employee. The reason(s) should be in line with the regulation and practices of the organization
- **Follow the correct procedures**
Determine that the termination is in line with the correct procedures, irrespective of whether it is taken from staff manual books, supervisors' manual or internal memorandum. Before a decision of whether to fire an employee is made, inform the employees beforehand that their performance is unacceptable and/or the offences that they have committed. Employees should always be given the chance to improve themselves.
- **Document all problems relating to employees' performance**
If the offence committed is not documented, the employee might use it as an excuse for unfair dismissal.
- **Consistency in dealing with employees**
It is recommended that employer have a documentation regarding the causes of disciplinary act being taken to certain employees even though they are not terminated from their posts. It is a good way to standardise the type of punishment if other employees violated the rules being set. If such documentation does not exist, the employee will feel unsatisfied if the punishments received are different even another employee had committed a similar offence.

5.3 TRADE UNIONS SCENARIO IN MALAYSIA



THINK

Based on the statistics from the Trade Union Affairs Department, there are 592 trade unions in Malaysia up to December 2001 that represent the private sector, the government, and local statutory bodies and employers. Why are these unions established?

The Trade Unions Act 1959 (section 2) defines trade union as “any organisations or a combination of employee and employer whose workplace is in Peninsular

Malaysia, Sabah or Sarawak, whether in a certain or similar work or industry and whether temporarily or permanently”.

The first trade union in Malaysia was identified in the 1920s, during the development of the agricultural and tin mining era. Even though the trade union development in Malaysia is slightly slower compared to the Western countries, we must understand the employees’ conditions at that point in time. The majority of employees working in Malaysia at that particular time, were here on a temporary basis, as most of their family members were in China or India. Half of their salaries will be sent home to their families and they will return to their motherland when they have successfully saved a certain amount of money. As they were really in need of employment, they decided not to join any trade union which at that time was strongly opposed by employers. Interestingly, history seems to repeat itself around the 1990s when we saw many illegal immigrants coming to work in Malaysia.

After the 1920s, the Malaya Communist Party succeeded in encouraging unskilled employees to form trade unions. The employees organised several strikes in the 1930s and at that time, there were no laws related to trade unions and its activities until the year 1940. However, it could not be carried out because Japan attacked Malaya. Only in 1946 did the government had a chance to intervene by taking steps such as establishing the Trade Unions Advisory Department and the Trade Unions Enactment. In this enactment, three main clauses were approved, i.e.:

- all trade unions must be registered;
- all national trade union formed must be in the same industry; and
- the trade union officers elected must have already served in the industry for at least three years.

These laws are designed to prevent the Communist Party from intervening in the trade union, to limit the union’s size and power as well as to control their movement by making it compulsory for them to register with the newly elected Trade Unions Registry officer. As a result, there were more than 100 trade unions that were revoked and cancelled at that time. Currently, the number of trade unions have shown an increase. In 1998 alone, 531 trade unions were registered as compared to only 386 unions in 1984.

5.3.1 Purpose of Employees Participating in Trade Unions



THINK

Do you know why employees choose to become members of a trade union?

Some employees join a trade union because they realised that if they fight for their rights for better work conditions individually, they may failed. But by joining a trade union and acting as a group, employers may consider their demands. Moreover, a trade union will usually take steps to protect its members. According to **Bohlander, Shell and Sherman** (2001), among the reasons why employees are interested to join trade union include:

- to protect their rights;
- to increase their negotiation power;
- to increase status;
- to socialise;
- to increase employee welfare;
- peer pressure; and
- unsatisfied with the current conditions such as workplace condition, policies, wages and others.

5.3.2 Functions of Trade Unions



THINK

In your opinion, do we need to establish a trade union?

Many are in the opinion that trade union is an outdated concept and do not see it as a necessity nowadays. They feel that employees who join trade unions are not showing loyalty to the organisation.

Some employers feel that a trade union disrupts the decision making process and the management in the organisation and simultaneously fails the objective achievement that have been developed. Whatever reasons given, employers need

to accept the fact that employees will continue to join a trade union as they are more aware of the functions of its existence. Some of the functions of a trade union are:

- encouraging industrial relations, improving work conditions, economic status, social or increasing productivity;
- outlining the relationship between employees among employees or employers among employers;
- becoming representatives in industrial disputes;
- managing issues related to disputes; and
- encouraging, organising and funding strikes or 'lockouts' in any trade or industry as well as allocating fee or other benefits to members during strikes or 'lockouts'.

5.3.3 Types of Trade Unions

In Malaysia, trade unions can be divided into two categories, namely, trade union for employees in the private sector and trade union for employees in the public sector. For employees in the private sector, there are two types of union, which are, national and district trade unions as well as company union.

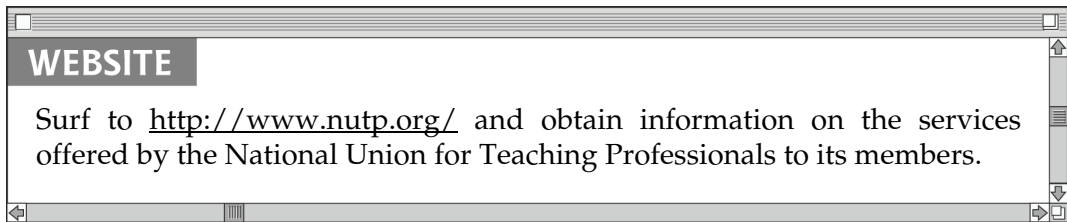
(a) Trade Unions for Employees in the Private Sector

(i) National and District Workers Union

Employees who become members in this trade union are those from different companies but in the same industry or employees in the same trade or occupation. According to **Maimunah** (2000), most main industries have national trade unions.

For example:

- National Union for Plantation Workers (NUPW) – 75,000 members.
- National Union for Teaching Professionals (NUTP) – 30,000 members.
- National Union for Bank Employees (NUBE) – 20,000 members.
- National Union for Telecom Employees (NUTE) – 19,000 members.
- Transportation Workers Union (TWU) – 8,000 members.



(ii) **In-house Union**

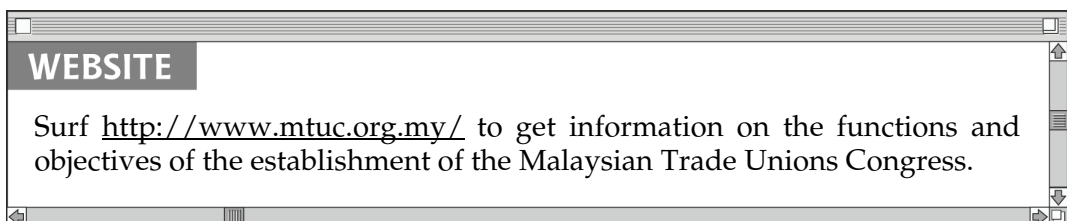
An in-house union is a union established by employees working under one employer. This indicates that employees from different occupations can join this type of union as long as their employers are the same.

Even though the national trade union is against the establishment of this type of unions, employers and the government on the other hand encourage them. If employers find out that their employees are planning to join a national trade union, they will take immediate actions to encourage employees to establish a in-house trade union. This is because they, the employers, are aware of the weaknesses of this type of trade union.

According to Latiff Sher Mohamed (**Maimunah**, 1999), there are several weaknesses in relation to company trade union, i.e.:

- limited membership and only focusing on employees in one company only resulted in making this type of union not very strong;
- the union leader is easily exploited by their employer because selection is made by union members which numbers are limited; and
- union leaders are worried of becoming victims in terms of promotion, retrenchment, transfer and distribution of responsibilities which are set by their employers.

Even though this type of union is opposed by the national and district unions, in-house unions have shown an increase and is predicted to keep on increasing in the future. Some of the examples of trade unions that have existed for more than 20 years are the Cold Storage Employees National Workers Union and Rothmans Employees Workers Union.



(b) **Trade Union for Employees in the Public Sector**

As we know, the public sector consists of public services, statutory bodies and local authorities. Public servants are only allowed to establish a union if they are in the same ministry, department or occupation. Issues relating to wages and other terms of services, are normally discussed at the national level between government authorities and CUEPACS.

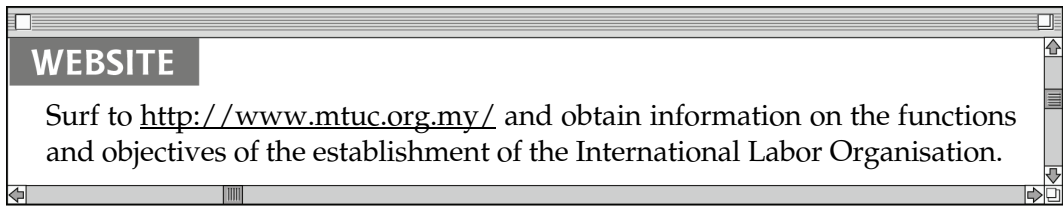
There are 221 trade unions in the public sector in 1997 and this figure includes several of Malaysia's biggest unions such as the Malayan Union for Teaching Professionals, Malayan Nursing Union, and Malayan Technical Service Union as well as smaller unions such as the Dentistry Technician Union with 242 members and the Pulau Pinang Port Senior Commissioner Officers Union with a total number of 116 members. Recently the number of union members seemed to have decreased and this is not caused by loss of interest but due to the government's privatisation policy which has caused bigger unions to shift to private sector unions.

(c) **Employers' Association**

Besides employees having their own trade unions, employers, on the other hand, tried to build a network by establishing an employer's association from similar organisations to fight for their rights and welfare. With this network or association, employers are more prepared and able to react towards the demands of the trade union. The employer association also plays the role to balance the employee market condition and the reward offers or salary as well as being involved in matters regarding decision making or discussions with the central or state government or agencies representing the government.

Through this network or association, employers can share techniques and strategies to handle demands from employees' trade unions. A few techniques often used by employers in controlling the influence and demands from trade unions are to offer rewards and wages as well as competitive service benefits, to invest in developing a cooperative workforce or human resources, to increase communications flow, to create more opportunities for employee involvement in decision making and also to increase employees' commitment towards the organisation. The following are examples of large employer's associations:

- Malayan Commercial Banks Association (MCBA).
- Malayan Agricultural Producers Association (MAPA).
- Electrical Industry Employers' Association (EIEA).
- Engineering Machinery Employers' Association (EMEA).



EXERCISE 5.3

TRUE (T) or FALSE (F) statements.

1. One of the reasons why employees join trade unions is because they want to increase their status.
2. The Transportation Workers Union (TWU) is an example of a company union.
3. The employer's association also acts in helping employees fight for their rights and welfare.
4. The trade union fund can be used for purposes such as reports and news printing, compensation to members during trade disputes and also for office related expenses.
5. A union registration is normally rejected if the Workers Union Managing Director finds that the name of the union that is being established may pose some problems in future.

5.4 COLLECTIVE BARGAINING



THINK

In your opinion, who determines the wages and benefits for each employee or work group in an organisation?

Collective bargaining can be defined as a method to determine work terms and conditions as well as to control work relations through the negotiation process between employers and employees in the hope of achieving an agreement (Salamon, 1998).

For employees, collective bargaining can be seen as a good method for them to increase wages and benefits as well as to reduce the total working hours. Even though the main objective of collective bargaining is to agree upon the accepted work contract by both employees and employers, trade union has two other

objectives, which are to protect employees' rights through allocation development which will monitor the use of power or any actions which are unfair towards employees and secondly to enable employees to be involved in the decision making on matters which involve them.

5.4.1 Collective Bargaining Process

The bargaining process can only be practiced in the private sector because in the public sector, wages and all conditions will be decided by the employer. Beside from that, it is important to remember that the bargaining process cannot be carried out if the employer does not recognised the trade union formed.

Only when the recognition is received, then the employees can only use the only union to voice out any dissatisfaction or to solve any disputes. In other words, this can be seen as a policy for trade unions to improve any employee service terms with employers. For employees who are not members of a trade union, they will not be discriminated because the trade union not only negotiates for its members but for all employees in the company.

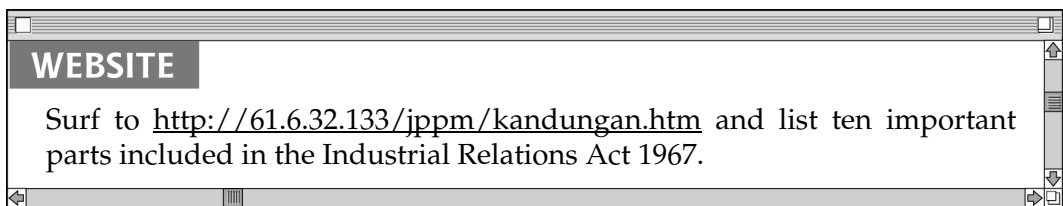
In many cases, the bargaining process carried out is between employers and trade unions. However, for employers who have their own associations such as banks, the bargaining process carried out is between the employer's association and the trade union. This is to ensure that all benefits are standardised for all employees in that industry and also to reduce the number of employees who like to job-hopping from one company to another. All bargaining processes carried out are controlled by the Industrial Relations Act 1967.

The bargaining process begins when one of the parties, whether the employer or the trade union recommend a set of proposals for mutual agreement and request for negotiation to begin. The response on whether the invitation to negotiate is accepted or not has to be sent within 14 days. If the employer refuse to begin the process, a trade dispute will occur. However, it is important to remember that employers who have recognised the establishment of the trade union have to be involved in this process.

The number of meetings that needs to be held depends on the relationships between them and the number of disagreements. Normally, in their first meeting, both parties will discuss on issues pertaining to the disagreements. If there are any matters left out and not discussed, they will be tabled in the next meeting. But if an agreement is still not achieved, the matter will be reported to the Industrial Relations Department and if necessary, they will be trialed by the Industrial Court.

If an agreement is reached between the employer and trade union, the next process is to bind the mutual agreement as a valid contract. For this, it needs to be done in writing and signed by both parties involved.

The validity date of the agreement must also be stated and normally it does not exceed three years. After the period ends, a new bargaining process has to be carried out. Meanwhile, all agreements reached have to be sent to the Industrial Court within one month from the date they were signed. The court will then examine the agreement made to ensure that it follows the legal requirements before accepting it as a valid contract.



5.4.2 Industrial Actions

Even though cooperation and understanding during negotiations are encouraged between employers and trade union, there are still some instances when conflict happens. When this occurs, the industrial relations system usually has ways to solve the dispute. However, there are also times when the parties involved would rather use direct methods by pressuring the other party to bow to its demands. In Malaysia, the law has allocated two ways that can be used by employees, namely picket and strike while the employers can employ the lock-out method.



YOUR IDEA

In your opinion, should pickets, strikes and lock-outs be carried out? State your reasons.

5.4.3 Dispute Solving Procedures

When disputes occur, employers and employees are not advised to picket, riot or implement lock-out, because it in a way can affect to the nation's economy and others public specialties. Due to that, Industrial Relations Act 1967 has underlined several procedures to solve the arguments.

(a) **Direct Negotiation**

In direct negotiation, only the trade unions and employers will be involved in the process of solving the arguments. Usually, they will sit together in calm and respectful manner. In such cases, the DGTU cannot force both sides to make peace if the direct negotiation is a failure.

(b) **Negotiation**

When the process of solving the arguments through direct negotiation is a failure, employers and workers' union can report the matter to DGTU. He will suggest them to hold a meeting of peace to solve the arguments. It is a process whereby Industrial Relations Department will help to solve the arguments between both sides (Maimunah, 2000).

(c) **Mediation**

This method has similarity with arbitration but the medium who is being appointed is not from government or Industrial Relations Department. The medium is the outsider who has being appointed and agreed by both sides.

(d) **Arbitration**

Consideration is used after the previous three methods have been a failure. Similar to method of using medium, consideration method also use the third party which is Industrial Court. Under the Industrial Relations Act 1967, Industrial Court is empowered to solve trade disputes.

The role of Industrial Court includes the unfair demands of firing; trade arguments; the translation of memorandum of understanding or courts' result; report on those who disobey the order and the verification of memorandum of understanding. The decision which is made by the Industrial Court cannot be altered unless there is a matter related to law.



EXERCISE 5.4

TRUE (T) or FALSE (F) statements.

1. Arbitration is usually used after the three methods; direct negotiation, negotiation and the use of medium are a failure.
2. The process of collective bargaining can be conducted although the employers do not establish the trade unions.
3. Collective agreement can be a verified contract if it is done orally while being witnessed by representative from trade unions and the employers.

Multiple Choice Questions

1. All of following statements are the roles of Ministry of Human Resource in industrial relationship system EXCEPT
 - A. to protect the employees' affair including security, health and employees' right.
 - B. to increase good relationship of employer-employee through a stable and harmonious industrial relationship system.
 - C. to equipped unemployed individuals with basic industrial skills and enhance the level of labors' skills.
 - D. to help in minimising human resource in states using human resource planning.
2. Among the following procedures, which is the procedure that DOES NOT involve third party?
 - A. Direct Negotiation
 - B. Negotiation
 - C. Mediation
 - D. Arbitration
3. The following are the examples of in-house Union EXCEPT
 - A. Malayan Technical Services Union
 - B. Kesatuan Sekerja Kebangsaan Pekerja-pekerja Telekom
 - C. Kesatuan Sekerja Pekerja-pekerja Rothmans
 - D. Malayan Commercial Banking Association

Essay Questions

1. Explain why some of the registration of union are being rejected by the Director General of Trade Union (DGTU)?
2. You have been informed that strike is one of the ways to force the employers. But, why some strikes are prohibited?

5.5 UNDERSTANDING THE CONCEPTS OF OCCUPATIONAL SAFETY AND HEALTH

? THINK

You might have heard that we wouldn't know when danger will come. We always heard about the word safety and health but what is the meaning and if this word is applied in our workplace.

Occupational Safety and health in the world mean:

Safety:

Issue that has to do with protecting workers from injuries or accidents while they are working. Injuries related to job include wound, fracture, sprain or amputation caused by accident related to the work or caused by exposure that involves an incident in workplace (**Bernardin and Russel, 1998**).

Health:

Condition that give protection to workers from emotional disturbance and any types of physical illness that is caused by the job. Disease caused by the work can bring to all types of unusual circumstances or disturbance that is caused by exposure to Occupational surrounding factors. This condition also includes chronic illness and akut for instant stress, burn out, heart problem or death that is caused by penyedutan, penyerapan dan pengingsenan or exposed directly to toxics or harmful means (**Bernardin and Russel, 1998**).

? THINK

Why laws related to safety and health of the employees are important? What will happen to employees if there are no laws like this in our country?

The histories of government intervene in the issue of industry safety started since the early 1878 with the appointed of the first pemeriksa dandang. The first law related to safety formed in 1892 that is Dandang Stim Enakmen (**Maimunah, 1999**).

When Malaysia is in the process to become industrial country around the year of 1960s, one act has been introduced to visit the safety and health of work that is The Factory and Machinery Act 1967. Another act is introduced in 1994 that is The Occupational Safety and Health Act 1994 when the previous have its own weaknesses. The next discussion will discuss more on these two acts.

5.5.1 The Factory and Machinery Act 1967

For over 30 years, The Factory and Machinery Act 1967 played its role to overcome safety and health issue in this country. The Acts of Factory and Machinery emphasised on safety in factories and its enforcing is under the control of Department of Factory and Machinery (now known as Department of Occupational Safety and Health). Among of the provisions in this acts include:

- The power is given to Department of Factory and Machinery, or to appoint examiner, to ensure constructions and safe design of factory and well-conditioned machines and to ensure safe usage including providing appropriate training to workers;
- Emphasise on the aspects of workers' welfare by ensuring employers to provide health facilities and comfortable working place;
- Provide safety tools such as fire extinguisher and first aid box; and
- Explaining the procedure to report accidents taken place in workplace.

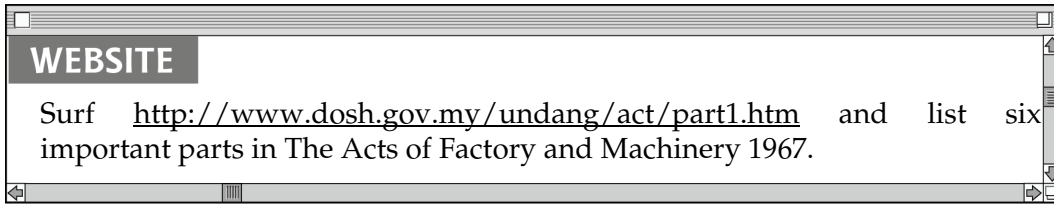
Even though this acts has been used for a long time in Malaysia, a lot of criticisms received regarding the effectiveness of provisions and implementation of the acts. Among of the criticisms are:

- Only protect workers who work in factories and this only amount includes 25-30% from the entire workforces in Malaysia;
- Has limited scope;
- Failed to take note on technology development; and
- Emphasised on the responsibilities to overcome issues related with safety and health by the government side and is not sharing with employers and employees.



YOUR IDEA

Construction sector is the sectors that obtain the highest amount of accidents in 1998 that is 38, 718 (43.8%) compared to other sector such as commerce (14.7%), services (10.4%) and shipping sector for only (4.6%). In your opinion, why is that construction sector contributed to the increasing number of accidents in 1998?



5.5.2 Occupational Safety and Health Act 1994

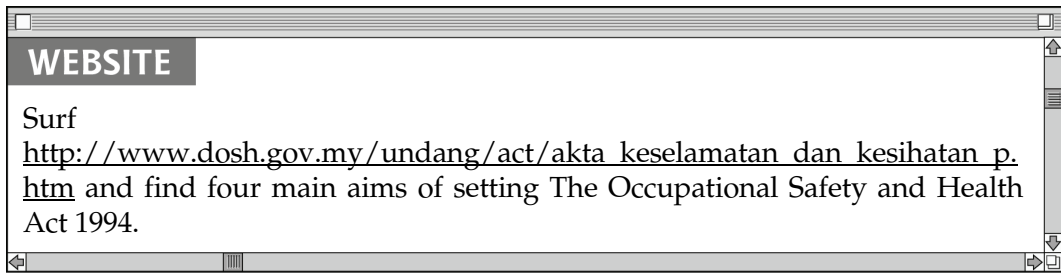
The Occupational Safety and Health Act 1994 is approved by the Parliament in 1993 and announced on 24th February 1994. It is been set to overcome weaknesses in The Factory and Machinery Act 1967 by not replacing it. With this acts recorded in writing, about seven million workers in all industries and sectors are protected except those in the armies and those working in the shipping industries which is dominated by the Shipping Merchant Ordinance.

The following industries are protected by this acts namely manufacturing sector; mining and quarry; construction, agriculture, forestry and fishery; utilities such as electric, gas, water and sanitary services; transportation, storage and communication; retail trading; hotel and restaurant; financial, insurance, property and business services; public services and authority statute.

The main aim of this act is to increase awareness and to promote safety and health culture among all employees in Malaysia. The objectives of this act are:

- To ensure safety, health and welfare employees in workplace from any risks exist from the working activities.
- To protect other individuals, apart from employees, who is in the workplace which exposed with risks from the working activities.
- Encourage conducive working environment with physiological and physical needs of the employees.
- Ensure that the organisation maintain or fix the standards of safety and health by implementing rules and industry practice that has been approved and in accordance within the provisions of the act.

Some of the provisions in this acts include the needs of forming the rate National Council for The Occupational Safety and Health and provisions that set on the duty of employer and self-employees, duty of designer, manufacturer and supplier and finally the duty of employees.

**THINK**

In your opinion, why are there many accidents in workplace even though various precautions have been taken by the setting acts and laws related to workers' safety and health?

5.6**HEALTH AND SAFETY TOWARDS DANGER****THINK**

List a few dangers of safety and health in your workplace

Have you ever had headache because sit in front of computer's screen for too long? Or you saw your friend injured because of being crushed by heavy things? All of these are the examples of safety and health towards dangers that can happen while we work, according to **Aini Hayati (Faizuniah, et.al, 2002)**

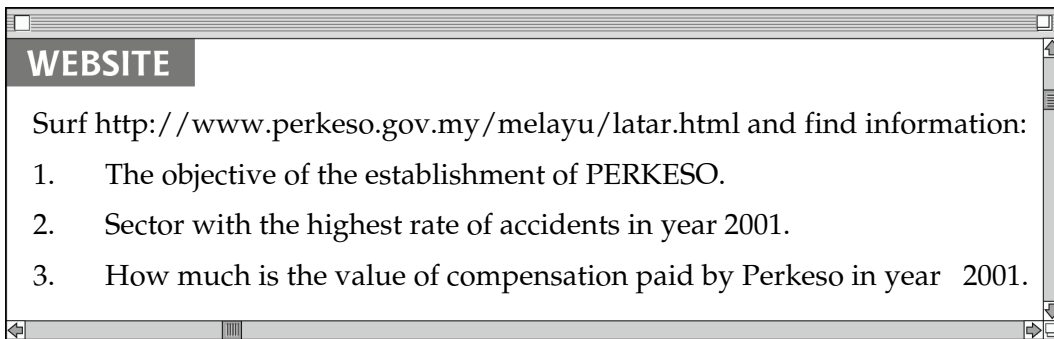
Safety towards danger is occupational aspect that have potential to cause injuries (such as sudden lost of sight, lost of finger or hands, fall from the building) or death to the workers in fast rate. Usually, safety towards danger is being relates to tools or machines that are not safe to be used, unsafe working environments, and exposure to dangerous chemicals.

Health towards danger refers to occupational aspects that can give negative effects to employees' health gradually. Continuous stress caused by workloads, becoming deaf because of exposure to noisy working environment and chest pain and the eyes becoming blur because of exposure to chemicals are among some of the examples of emotional and physical illness caused by tasks.

Next, we will look at a few safety and health category regarding the danger in workplace such as accidents in the workplace, the danger of chemicals, video screen terminal and repetitive injuries.

5.6.1 Accidents in Workplace

In September 1996, government had launched “Towards a Safe and Healthy Working Culture” campaign to increase awareness among employers, employees and societies regarding safety in workplace. Even though the rate of accidents in workplace or the accidents while working in Malaysia decreased since 1997, the amounts is still a quite worrying.



Generally, accidents in workplace can be cause by the characteristics of the work itself, the employees themselves, employers and environment which have been listed in Table 5.2.

Table 5.2: Causes of Accidents in Workplace

Cause	Example
Occupation	<ul style="list-style-type: none"> • Damaged machines – unable to work properly • Obsolete – unable to work properly • Dangerous occupation – for example, working at underground tunnel, exposed with dangerous chemicals
Workers	<ul style="list-style-type: none"> • No focussing to their work • Playful • Drinks alcohol or take drugs • Mistakes in analysing the moving objects • Lack of experiences • Too confident because they have experiences • Poor in sights and hearing • Inexperient in handling tools – no training • Breaking safety instructions such as not wearing goggles • Age: too young (clumsy) or too old (careless or incompetent) • Have personal problems – cannot give full attention to work
Environment	<ul style="list-style-type: none"> • Exposure to high temperature, electrical equipments and chemicals • Environment that is too noisy • Exposed to smokes and dusk • Infection
Employer	<ul style="list-style-type: none"> • Poor in supervision • Did not provide safety tools or gadgets for employees • Did not give training of using the safety tools to employees • Safety rules and policy not implemented strictly

Source: Adapted from Faizuniah Panggil et.al (2002) pg 148

These problems can be overcome if every person plays their own roles. The objective to ensure zero accident cannot be achieved if workers did not make use of safety gadgets provided by employer or employer did not take any action if the employee complains regarding the damage of safety gadgets as provided.

Table 5.3 shows a few examples of roles that can be played by employer, employees, trade unions and Occupational Safety and Health Committee in minimising the accidents in the workplace.

Table 5.3: The Role of the Responsible Agent to Decrease Accident in Workplace

Responsible Agent	Role
Employer	<ul style="list-style-type: none"> • Formulating a health and safety policy • Apply all the rules and procedures that has been laid down • Held immediate investigation once an accident had occurred • Provide the private safety equipment such as helmet, gloves and so on • Held safety campaign from time to time • Make sure the working environment is safe • Maintain a safe working system • Create procedure for reporting and investigating accident • Form and held a safety practice • Select efficient workers • Incentive system. Employees or departments can avoid accident will be rewarded • Provide clothes and safety equipments • Divide the working place from a non-working place for example "Dangerous Area" • Provide a clear warning such as 'CAUTIONS', 'NON SMOKING ZONE' • Provide leave and appropriate rest to the workers who need extra rest • Get the input regarding the problems from the workers • Get feedbacks from employees each time after an accident had happened.
Employee	<ul style="list-style-type: none"> • Obey all the rules and procedure regarding safety • Cooperate with the employer (Self regulation) • Form 'a safety at workplace' attitude • Immediately report if the machine or tools are damaged • Not using any damaged tools that can endangered the employees' safety
Trade Unions	<ul style="list-style-type: none"> • Can voice out the rights of employees in management their safety. If all this while the effort is more on the increasing of the money and incentive, then the focus should be on the safety and health of the employee • Involved as a workers representative in Health and Safety Committee
The Health and Safety Committee	<ul style="list-style-type: none"> • The Safety and Healthy Act 1994, Section 30 (a) stated that the company which have 40 or more employees compulsory to form a Health and safety working committee. This committee is to study all the steps to make sure the safety of the workers at the workplace

Sources: Adaptation from Faizuniah et. Al (2002) page 149

5.6.2 The Risk of Chemical Substance



THINK

Why many of us did not realise the dangerous that we may encounter if we are always using the chemical substance?

The negative effect from the chemical will not immediately visible. The effect will be visible when the disease is chronic. See Table 5.4 to know how serious the effect to certain people.

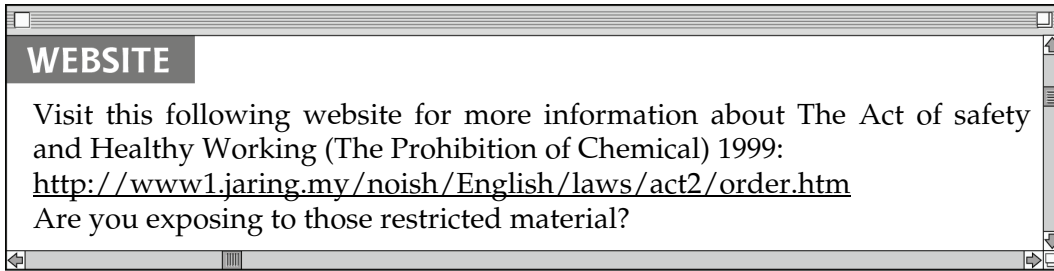
Table 5.4: Ten Types of Danger in Workplace

Potential Risk	The Disease
Arsenic	Lung cancer, lymphoma
Asbestos	White lung disease, lung cancer and other organ cancer
Benzene	Leukemia, aplastik anemia
Bichloromethylether (BCME)	Lung cancer
Coal dust	Black lung disease
Emission from coke oven	Lung and kidney cancer
Cotton dust	Brown lung disease, bronchitis and emfisema
Lead	Kidney disease, anemia, misfunction of the main system and abnormal born
Radiation	Tiriod cancer, lung and bone cancer, leukemia, effect of the productivity (miscarriage or genetical damage)
Vinyl Chloride	Lung and brain cancer

Sources: Byars, Lylod L. and Rue, Leslie W.(2000) pg 467

In Malaysia, the government has realised the risk carried by certain chemical substance. They have provide an order in The Safety and Healthy Act 1994 which prohibited the using of material like Benzene, Benzidine, Krosodilit, Carbon Disulfide, white phosphorous and any other chemical substance that are dangerous to safety in the workplace. This act was enforced with effective form in 2 August 1999.

Other than that, The Safety and Healthy Act 1994 also contained the rules to classify, packaging and labelling the chemical substance and to determine the use and exposure of dangerous chemical substance.



5.6.3 The Air Quality in the Building

? THINK

Is the air in your working area good? If not, what are the factors that cause the air quality in your workplace?

In order to save energy, the techniques in construction of the commercial building was changed to increase the effect of heating power, air and air conditioned system. It includes decreasing the flowing out of the air by closing the entire window and any hole in the building. As a result, many workers are having 'Sick-building' or lack of fresh air. Those who have this syndrome will feel itchy on the eye, ear, throat and skin (**Bohlander, Snell, Sherman, 2004**).

Moreover, workers in the closed building also easily expose to the air pollution due to the bad air flowing system. According to the research by National Institute of Occupational Safety and Health, United States, the cause of air pollution in the building are because of cigarettes smoke and emission from the office equipment such as ozone, hydrocarbon from computer, Photostat machine, laser printer and fax machine. It is also included the carpet dust, paper and wood. (**O Connell and Motavalli, 1995 and Bohlander, Snell and Sherman, 2004**).

To overcome the lack of fresh air in the building, *American Lung Association* has provide four ways, which are remove the cigarettes smoke with good air flowing, avoid the workers from smoking in air conditioned room, make sure the good air flowing ,supervise the air flowing system frequently and remove the sources of pollution in the building. (**Bohlander, Snell and Sherman, 2004**)

5.6.4 Video Terminal Appearance



THINK

Is it safe to use computer in daily works? In your opinion, what is the problem cause by the using of computer for a long time?

In order to go inline with the current technological development, organisation starts to adapt the usage of computers in their daily work. However, the widely usage of computers has created worry to the employees due to the dangerous of computer monitor. Usage of the computers for a longer time can create the following four problems:

1. Vision problem such as the weaken of the vision, eye strain, and itchy eye.
2. Radiation such as forming of cataracts in the eye and pregnancy problem for example miscarriage and abnormal due to high exposure to the radiation.(Video terminal display)
3. Muscle pain (back, neck and shoulder)
4. Working stress due to pressure, bad posture, noisy, lack of practice, workload and monotonous.

Dr James Sheddy . (Bohlander, Snell and Sherman, 2004) gives a few advices to minimise the negative effect of the computer:

- Put the computer screen between four to nine inch from the user eye vision level
- Put the monitor in line with the vision
- Sit on an adjustable chair, to adjust the height according to preferences of the user and use copyholder attach to the computer or desk.
- Use the suitable screen light which is not harmful to the eyes.
- Use screen-shade to decrease the light from the window to the screen.

5.6.5 Injuries of Frequent Movement

The repetitive motion injuries or cumulative trauma disorder are easy to get by the workers who work using repeating action such as finger movement and hand are includes butcher, fish cutter, chef, textile workers, violin player, steward and stewardess.

One of the problem occurs from the injuries are the **carpal tunnel**. The *Carpal Tunnel* refers to the hand bone known as *carpal*. These bones form a tunnel full of flexible tendon (**Ivancevich**, 2001). According to the research by NIOSH, the Carpal Tunnel syndrome are much related to the industrial sector that involved in cutting, forming, sewing and cleaning.

One of the ways to avoid the injuries is by providing a good working environment in line with the physical needs of the worker or known as ergonomic. This word originated from Greek which means 'ergon' or work and 'omics' means 'management of something' (**Mathis and Jackson**, 2000). The job of the ergonomist is to study the aspects of working physiology, psychology and engineering such as fatigue, lighting, equipment and control.

The importance of ergonomic study;

- The employer can use the result of the study to hold a conducive working environment such as providing the chair, shoe, desk and any other suitable equipment to the employees according to their size and height.
- The employer can adjust the room temperature, lighting and level of noise so that not to disturb the employees' performance.
- Focus on the personal space. The small or packed space will lead to stress and cause health problem to the worker.



EXERCISE 5.5

TRUE (T) or FALSE (F) statement

1. One of the causes of accident at workplace is because of the machine failure.
2. Continuous stress feel by the employees is one of the example of workers safety.
3. Producing sector is the highest achiever in accidents.
4. The effect of chemical substance are visible immediately.
5. Carpal Tunnel syndrome was formed by the continuous injuries and cumulative trauma injuries.

5.7 SAFE AND HEALTHY WORKING ENVIRONMENT

Now you have understood why the safe and healthy working environment is important in an organisation. Despite of increasing the employees productivity, it also give a positive effect to the organisation especially in terms of cost related to the accident and the compensation that need to be paid by the company. To have a safe and healthy working environment, a few steps can be taken such as requesting the workers in helping to organise the Safety and Health programme.

5.7.1 Employee Aid Programme

One of the ways the employer can do to overcome the issue of occupational safety and health environment is by creating the Employee Aid Programme or EAP. According to **Gloria Cunningham** in French (1998), nowadays EAP was accepted and understand as the programme that provides direct service to the workers who have many personal problems or related to work.

With this program, employees who have problems such as alcoholic and drugs addiction, stress, human relationships problem (usually between the worker and the supervisor), family and marriage problem, financial problem will be given counselling.

EAP also provide the services like career counselling, education regarding AIDS and health, counseling on the mental stress, counseling for employees who are going to be retired and those to be terminated. (**Mathis and Jackson**, 2000).

5.7.2 Safety Programmes

A safe working environment can be created by the employer through and careful safety planning. Although, most of the program held by the organisation focus on the aspect of accident, the main objective is to make sure the employees always take priority of their safety while working.

Generally, the Human Resource Department is responsible to conduct safety programme. However, the success of this program is depends to the commitment by the managers and top management. Besides that, the employees factor which they focus on the aspect of the importance of safety while working also become the point of the success. The Human Resource Department only work as programme administrator, supervise the safety record and cooperate with the managers and supervisors in order to make sure the success of the programme.

In promoting a safe working culture, many ways can be done by the employer, such as:

- Create the work as interesting as possible. The uninteresting work will make the workers easily feel bored, tired and pressure that will lead to accident.
- Form a safety committee that includes the representatives from the employees and the employer. The responsibility of this committee is to check, supervise the working, investigate the accident and underlined a few recommendations to overcome the problem.
- Display the safety statistics such as the monthly report on the notice board or in the monthly bulletin for the workers to remain the employees the importance of safety at the workplace.
- Use the notice board in the organisation to promote the safe working culture.
- Encourage workers/employees and supervisor in practicing safe working culture. Employer needs to recognise every positive action taken by the workers in maintaining safe way of working by providing rewards.
- Organise meeting and safety training from time to time.

Gomez-Mejia, Balkin and Cardy (2001) support this matter as they believe that an effective safety programme usually possess the following characteristics:

- Form a safety committee comprises of every department in the organisation. Employees are encouraged to take part in decision making regarding safety issues and employer needs to consider ideas contributed by the employees in order to improve the safety in the workplace;
- Convey safety message to employees through different media such as lectures, film, posters and brochures;
- Train the supervisors regarding the way to convey safety messages to employees and manners to handle safety tools so that supervisors can provide training to his subordinates;
- Use incentives, rewards and positive reinforcement to encourage the employees to practice working safety. Employer offer rewards to those employees who provide feedbacks or for those who can give suggestions regarding safety. Besides that, employees that had maintain good safety record should be rewarded;
- Enforcing safety rules. For employees who breaks or did not follow the safety rules action can be taken against them;
- Deploy Safety Director or the Safety Committee to investigate and recognise places in the workplace that are not safe and find out why accidents can be happened and try to find solutions to overcome these problems.

WEBSITE

Surf <http://www.gosh.gov.my/hq/hqorg.htm> and explain the aims and objectives of the establishment for each of the following sector/department:

1. Department of Safety and Industry
2. Department of Health and Industry
3. Department of coordination and planning
4. Department of serious danger
5. Department of administration

5.7.3 Health Programme



THINK

In your opinion, why does a good health programme need to be held in an organisation?

Certain organisations were so concern about their employees' health by organising various programme such as exercises, healthy diet campaign, organise football tournament, netball, badminton and so on, monitoring weight problems and avoiding things that are harmful to health. These kinds of organisations will provide facilities such as gymnasium and aerobic classes. For organisations that wish to organise health programme, they can start their programme by the following manners:

- Organise health assessment sessions for high risk employees;
- Identify illness that incurred large medical expenses;
- Includes family members and those who had been retired into the health programme;
- Seek advise regarding healthy ways of eating from food technologists;
- Prohibit smoking in the workplace;
- Obtain discounts price from health clubs to encourage employees to join and enjoy the facilities;
- Start health bulletin; and
- Focus on reducing one or two highly health factors among employees.

**EXERCISE 5.6****TRUE (T) or FALSE (F) statement**

1. Burn out is one of service illness that is closely related to HIV/AIDS.
2. Sexual harassment and bully are two examples of conceal threat in workplace.
3. According to research done by DOSH, employers in Malaysia have high awareness on HIV/AIDS issue.
4. One of the problems helped by the workers aid programme is financial problem.
5. Displaying the figure of accidents at the workplace can help employers to promote the culture of working safely.

Multiple Choices Questions

1. The Occupational Safety and Health 1994 obligate the establishment of a Committee of Safety and Health if there are:
 - A. 50 workers or more
 - B. 40 worker or more
 - C. 75 workers or more
 - D. 100 workers or more
2. Conditions that might caused when injuries happen to the wrist is known as:
 - A. carpal tunnel syndrome
 - B. repetitive stress injury
 - C. cumulative trauma disorder
 - D. all of the above are true
3. Which of the following is **NOT** the workers responsibility towards safety and health?
 - A. The workers need to obey all standards set by The Occupational Safety and Health Act
 - B. The employees need to report regarding dangerous situation
 - C. The employees need to obey all of the rules of safety and health that has been set by employers
 - D. The employees need to use their discretion when handling safety tools.

4. _____ can be defined as things relate to protect the workers from injuries or accidents caused by the work.
 - A. Health
 - B. Trauma
 - C. Safety
 - D. Disability

5. _____ Syndrome can be caused by cigarettes smokes and emission from office equipment such as ozone and hydrocarbon produced by computers, photocopy machine, laser printer and fax machine and also dusk from carpet, paper and wood.
 - A. carpal tunnel
 - B. sick building
 - C. ergonomics
 - D. burnout

Essay Questions

1. If you were given the responsibility to promote safe working culture in workplace, what are the steps that you will take?
2. As an employer, give **FIVE** ways to reduce accidents rate in workplace.

SUMMARY

It is the responsibility of all employees to know their rights in order for them to know certain things that should not be done by the management and organisation that they are working with. In Malaysia, the employees rights are presented in various codes such as the Employment Act 1955, Occupational Safety and Health Act 1994 and etc. However, the employer does also have the right in electing workers, promoting and to discipline them, as well as has the right to terminate form their respective post. .

Other than the rights of employees and managers, discipline is also another important issue in an organisation. Unfortunately, it is not the most favorite aspect that is being focused by the employers even though is crucial to motivate employees to follow the existing performance pace. We have discussed the aspects of industrial relations and trade unions. Thus, we should have understood what is industrial relationship and trade unions, why employees should join trade union and the roles. .

Finally, the safety and health problems in workplace are everybody's problems. Therefore, everyone has to be responsible to ensure that the workplace is safe and free from any illness. The various aspects of safety and health such as the Occupational Safety and Health Act 1994, recognising a few safety and health towards danger and issues related to it have been discussed in this topic. It is hoped that the discussions can open up our mind regarding the importance of working in safe workplace without any risks to threaten our health.

Answers

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TOPIC 1: INTRODUCTION TO HUMAN RESOURCE MANAGEMENT

Exercise 1.1

Essay Question

1. Human Resource Management is the philosophy, foundation, programme, practice as well as decisions regarding managing employees in an organisation.

Exercise 1.2

Essay Question

1.
 - Staffing
 - Human Resource Development
 - Compensation and Benefits
 - Safety and Health
 - Industrial Relations

Refer to the explanations in 1.4.

Exercise 1.3

Multiple Choice Questions

1. D
2. A
3. D
4. C
5. C

Essay Question

1.
 - Globalisation
 - Challenges in technology
 - Managing change

- Human resource development
 - Market reaction
 - Cost reduction
 - Economic climate
 - Legal system
2.
 - Part time job
 - Job sharing
 - Flexible working hours
 - Child nursing leave
 - Telecommunication
2. Prepare suitable amenities and programmes in order to fulfill women employee requirements; these include nurseries, flexible working hours, child nursing leave and others.
3. Employees nowadays value lifestyle satisfaction that can be achieved by balancing between challenges and rewards rather than the relationship between work and lifestyle. Apart from that, employees are also more attracted to interesting jobs, and the opportunities to use and develop themselves through the tasks appointed to them. This change has affected human resource management to come up with ways on how to manage and motivate employees. Consequently, the roles of human resource management are becoming more complex as opposed to previous situations whereby employees are only concerned with the economic values of their jobs to support their families.
4. Some of human resource management's contributions in achieving organisation's effectiveness are:
- Helping an organisation achieve its targets.
 - Fully utilising skills and ability of the workforce.
 - Providing an organisation with trained and motivated employees.
 - Increasing employees' job satisfaction.
 - Developing and maintaining the quality of employee work environment.
 - Delivering human resource management policy to every employee.
 - Helping maintain social responsibility and ethical conducts.
 - Managing changes to benefit employees and organisation.

Exercise 1.4

Essay Question

1. The payment of wages cannot be later than the seventh day after the last day of payment period.
2. 6 weeks
3. 60 days
4. No.
The Employment Act 1955 prohibits employers from setting conditions on how employees spend their fee.

Exercise 1.5

Essay Question

1. After receiving the application, management must take these actions in the period of 21 days:
 - give recognition; or
 - reject the application and present the reasons in writing; or
 - apply to the General Manager to verify employee's membership in the union and to give a written notice to the trade union.
2. 14 days

Exercise 1.6

TRUE (T) or FALSE (F) statements:

1. True
2. True
3. False
4. False

Exercise 1.7

Essay Question

1. Among the objectives of this act are to:
 - ensure the safety, health and welfare of employees at the workplace;

- protect others that are present at the workplace from any accidents that might trigger from workers' activities;
 - ensure the work environment is conducive; and
 - enable related legalities be replaced in stages by industrial rules and regulations which are approved and practiced by all in order to maintain and increase the standard of safety and health at the workplace.
2. 40 employees or more who are working in the workplace or are ordered by the general manager.

Exercise 1.8

Fill in the Blanks

1. RM2,000
2. Employer and employee both 0.5% from the employee's salary

Exercise 1.9

Essay Question

1. Under this act, the Human Resource Development Fund must be spent on:
 - encouraging development and growth of employees' skills by designing, developing, increasing or monitoring training amenities;
 - preparing financial aids through loans or subsidies to employers to train or re-train their employees;
 - organising or implementing activities or programmes aimed at re-training employees who have been or will be laid off due to downsising;
 - bearing the cost of managing the Human Resource Development Council including payment and allowances for council officers; and
 - bearing any administration costs for the Human Resource Development Fund as well as the cost of implementing this act.
2. The functions of the Human Resource Development Council are:
 - evaluating and determining the types of levels of training that is in-line with the industry's human resource needs;
 - increasing manpower training; and
 - establishing the conditions for loans or financial aids.

Exercise 1.10

Essay Question

1. Employees account in EPF is divided to 2 for different purposes, i.e.:
 - **Account 1**
The savings in Account 1 is for the purposes of retirement and cannot be fully withdrawn before reach the age of 55 or passed away, or loses his capacity and intends to leave Malaysia permanently.
 - **Account 2**
Saving in this Account is meant to help employees to make early preparations for a comfortable retirement. Withdrawals are allowed for the purposes of:
 - Attaining the age of 50 years;
 - Owning a house – the downpayment for your first house;
 - Setting the balance of your housing loan – first house;
 - Financing education for you and that of your children's; and
 - Medical expenses for you and that of your children's.

Exercise 1.11

Fill in the Blanks

1. 12 days
2. 48 hours

Multiple Choice Questions

1. C
2. B
3. D
4. A
5. C
6. D

Essay Question

1. Amin is not entitled for normal medical leave because he has used up all the sick leave which has been given to him.
2. – the National Day

- the Birthday of the Yang di-Pertuan Agong
 - the Birthday of the Sultan and the Yang di-Pertua Negeri or Federal Territory Day
 - the Labour Day
3. – Weekly leave
– Medical leave
– Annual leave
– Leave
4. No. Only employees with salary of not more than RM2,000.
5. There are two protection schemes which are:
- (a) **Employment Injury Insurance Scheme**
This scheme protects employees from injuries at work including industrial accidents, accidents that occur during business related travels, and service illnesses, which are illnesses caused by employment. Under this scheme, only employers are required to make monthly contribution to every employee with the rate of 1.25% of their monthly salaries.
- (b) **Invalidity Pension Scheme**
This scheme gives a 24-hour protection to employees against accidents or fatalities without considering the cause. The management must contribute 0.5% of the employee's salary, and the employee must also contribute 0.5% from his or her salary.

TOPIC 2: HUMAN RESOURCE PLANNING AND RECRUITMENT

Exercise 2.1

True (T) or False (F) Statements

1. True
2. True
3. True
4. True
5. True

Exercise 2.2

True (T) or False (F) Statements

1. True
2. True
3. False
4. True
5. True

Exercise 2.3

True (T) or False (F) Statements

1. False
2. True
3. False
4. True

Match the concepts to the suitable statements.

1. D
2. B
3. A
4. C

Multiple Choice Questions

1. A
2. D
3. D
4. D

Essay Questions

1. The quantitative approach is a top-to-bottom approach that fulfills management needs.
 - The approach used by experts who are trained in statistics and mathematics techniques.
 - Related to balancing demand and supply of human resource to fulfill organisation's objectives.

2. A qualitative approach or a behaviour-oriented approach which is bottom-to-top approach that fulfills employees needs.
 - An approach that utilises forecasting skills or those who are experts in counseling and development techniques, and treat employees as individuals.
 - Focuses on performance evaluation, promotion, career and job management development.
 - Attempts to balance interest, ability and individual aspirations with the organisation's needs.

Exercise 2.4

True (T) or False (F) Statements

1. False
2. True
3. True
4. False

Exercise 2.5

True (T) or False (F) Statements

1. True
2. False
3. True
4. False

Exercise 2.6

True (T) or False (F) Statements

1. A
2. B
3. C

Multiple Choice Questions

1. B
2. D
3. C
4. A

Essay Questions

1. "Criteria" refers to the measurement of job performance such as supervisor's evaluation, training results, productivity records and other achievement measurements.
2. Criteria here mean various types of forecasting information (such as education, job experience, etc.)

TOPIC 3: EVALUATING PERFORMANCE AND DEVELOPING EMPLOYEES

Exercise 3.1

Essay Questions

1. Performance evaluation is the process of identifying, observing, measuring and developing employees' performance in an organisation or any definitions such as those in Chapter 3.
2. Six roles of performance evaluation from the administration aspect are:
 - Salary administration
 - Promotion
 - Decision to terminate or transfer employees
 - Validating authority structure
 - Human resource planning
 - Documentation related to human resource decisions

3. Five reasons why the performance evaluation process fails to be executed effectively are:
- The supervisor or manager does not have enough information on employees' real work performance.
 - The standard of measuring performance is not clear.
 - The supervisor or manager does not have the skills to evaluate employee performance.
 - The supervisor or manager is not prepared to evaluate employee performance, as he or she does not want to be seen as a judge who is giving out an unfair sentence.
 - Employees do not receive constant performance feedback.
 - The supervisor or manager is not sincere during the performance evaluation process.
 - Performance evaluation is not focused on employee development.
 - The supervisor or manager uses language that is unclear to the employees during the performance evaluation process.
 - Employees feel that the organisation does not allocate enough resources for performance rewards.
- (Choose any five reasons)

Exercise 3.2

Essay Questions

1. The four key elements in creating a performance standard are:
- (a) Strategic Relevance – the standard developed must be related to the organisation's strategic objectives.
 - (b) Criteria Contamination – this happens when uncontrollable external factors affect an employee's performance.
 - (c) Reliability – refers to the consistency of a standard created which is how far an employee is able to sustain a specific performance level in a particular period.
 - (d) Criteria Deficiency – the development of a performance standard has to consider all of an employee's responsibilities. If the standard developed only considers one aspect of a job's responsibilities, criteria deficiency occurs.

2. The five steps in the performance evaluation process are:
- (a) Identifying performance evaluation objectives - The performance evaluation process begins by developing performance evaluation objectives. The development of objectives must be related to the organisation's objectives so there will be work performance increase shown by employees. For example, some organisation's philosophy is to focus on employee development aspects while other organisations focus on the administrative aspects such as salary standardisation.
 - (b) Developing performance standards - After the performance evaluation objectives are set, a standard performance will be developed. The purpose is to make the comparison between real work performance and the organisation's expected work performance easier. Basically, performance standards must be developed based on a particular work's requirements and these requirements result from the job analysis. A good performance standard is able to translate an organisation's strategic objectives to a particular work. Diagram 6.2 shows the four important elements that must be present when developing performance standards.
 - (c) Monitor work performance - After developing performance standards, the next step is to monitor the employees work performance so that the performance demonstrated is in line with the standards set. If the real performance shown by employees deviates far from the set standards, then the standards developed must be re-analysed to ensure that it is clear, attainable, measurable and states the time period for it to be carried out. An unclear standard must be altered so employees are able to carry out their duties effectively.
 - (d) Evaluating performance - Usually, at the end of the year, employee performance will be evaluated to ensure that the organisation's strategic objectives are achieved. The real performance shown by employees will be compared to the standards that have been developed.
 - (e) Discussion on performance - Employees and managers will review the employees' performance together based on set standards. A performance discussion will determine how far the employee is able to achieve the organisation's strategic objectives, identify the problems that obstructed the achievement and find alternatives to solve the problems. This discussion will also touch on developing objectives for the next year.

Exercise 3.3

Essay Questions

1. The six sources to evaluate employees' performance are:
 - (a) **Immediate supervisor** - A traditional method which stresses that performance evaluation must be done by an employee's immediate supervisor. A supervisor is the most eligible person to observe and evaluate his or her employees' work performance, and he or she is also responsible to manage the unit or department.
 - (b) **Self evaluation** - If an employee understands the objectives that must be achieved and is involved in the development of performance standards, then he or she is qualified to evaluate him or herself. This is because the employee knows what has to be done and how to carry out the task effectively.
 - (c) **Subordinates** - The most suitable people to evaluate a manager are his or her subordinates. This method is effective because the subordinates are the best source to observe the effectiveness of the manager. Moreover, the subordinates are always in contact with the manager. This type of evaluation is more for the manager's self-development so that he or she is able to work on their weaknesses.
 - (d) **Peers** - Peers can be an effective evaluation approach as peers often interact and are able to identify their colleagues' strengths and weaknesses. Peer evaluation can also give an accurate and valid input. However, peer evaluation will also create problems if it is used as basis to give favors or seek revenge.
 - (e) **Customer evaluation** - Customer satisfaction determines the successfulness of an organisation. Based on this idea, most organisations feel that they should obtain their employees' performance input from customers. Basically, there are two types of customers i.e. internal and external customers. Internal customers are employees from a certain department who depend on the output or other employees' work results for their input. External customers are people who use the products or services produced by an organisation.
 - (f) **360-degree evaluation** - Apart from the sources stated above, an organisation may also use the 360-degree evaluation method to assess their employees. This approach is very popular and is an alternative to the traditional method as the organisation gets complete information on employees' performance. Usually, an organisation uses this method for the purpose of employee development only.

Exercise 3.4

Essay Questions

1. Three main methods to evaluate employee's performance are:
 - (a) Trait Method – Trait is designed to measure how far an employee is able to acquire certain characteristics such as creativity, innovation, leadership and dependency that are seen as important in carrying out one's work. Some of the methods that fall under this category are the graphic rating scale, essay method and the forced choice scale.
 - (b) Behavior Method – This method focuses on behavior aspects based on a scale that illustrates certain behavioral descriptions. These descriptions enable appraisers to identify employee performance based on certain behaviors from weak to excellent. Some of the methods that fall under this group are critical incident method, behavioural checklist & weighted checklist, behaviorally anchored rating scale and behavior observation scale.
 - (c) Result Method – Aside from behavior and trait methods, an organisation can also utilise the result method to evaluate their employees' performance. This method enables supervisors to evaluate the results achieved by employees. Therefore, it is more quantitative in nature, objective and empowerment can be present. This in turn will lessen bias. This technique also stresses that employees be responsible for all results achieved. There are two types of techniques that can be categorised in this group, which are productivity measures and management by objectives.

Exercise 3.5

Essay Questions

1. Three common mistakes made by the evaluator are:
 - (a) Halo Effect - This effect happens when an appraiser conducts a total evaluation based on only one aspect of performance. An appraiser sees the employee as being efficient in all his or her work aspects when seen that he or she is able to meet the quantity required by the organisation.
 - (b) Central Tendency - Central tendency happens when an appraiser awards the same evaluation to all evaluated employees. The appraiser is inclined to give an average evaluation to all employees with the reason of maintaining good working relationship with everyone so that friction does not occur.

- (c) Recency Error - An appraiser often focuses on work performance that is close to the evaluation period as it is difficult to remember work performance in the beginning of the year.
- (d) Contrast Error - This error happens when a manager compares an employee's performance with another colleague who has already been evaluated, and not based on set standards.
- (e) Leniency/Strictness Error - Leniency error is an error made by an appraiser when he or she gives a high value to the employee being evaluated because the appraiser does not have the heart to give a low rating. Strictness error happens when an appraiser awards a low rating to the employee being evaluated because he or she feels that none of the employees deserve a high rating.
- (f) Similar-to-me Error - This error happens when an appraiser a high rating because the employee who is being evaluated has similar personal characteristics with the appraiser.

(Choose any three errors)

Exercise 3.6

Multiple Choice Questions

- 1. C
- 2. D
- 3. B
- 4. D

Essay Questions

- 1. Six roles of the performance evaluation are:
 - (a) Development - Determines which employees need training. This will increase employee-supervisor relationship and encourage supervisor to help in the reinforcement process of employee behavior.
 - (b) Motivation - Encourage attempts, develop responsibilities and propel efforts towards improving performance.
 - (c) Human Resource Planning - Functions as a valuable input to human resource planning activities.
 - (d) Communication - Acts as a basis for discussion between supervisor and employees regarding work matters, through daily interaction.

- (e) Law Abiding - Acts as a valid foundation for promotions, transfers, rewards and employee terminations.
 - (f) Human Resource Management Research - To verify methods or techniques used in human resource management activities. For example, during the selection activity – improving or selecting the effective selection test.
2. Meaning of terms:
- (a) Strategic Relevance – the standard developed must be related to the organisation’s strategic objectives
 - (b) Criteria Contamination- criteria contamination happens when there are uncontrollable external which affect employees’ performance.
 - (c) Criteria Deficiency – the development of a performance standard has to consider all of an employee’s responsibilities. If the standard developed only considers one aspect of a job’s responsibilities, criteria deficiency occurs.

Assessment 1

Essay Questions

1. Training and development is one of the key functions of the human resource management to equip employees with the skills required in order to attain the objectives of the organisation.
2. The differences between training and development are:
Training is the process of learning that is organised and carried out by an organisation to equip employees with the knowledge, skills and attitudes required to carry out their jobs and to improve their current job performance. Development can be viewed as the learning process to develop the employee in general and not necessarily related to his current job.

Assessment 2

Essay Questions

1. A number of changes that take place like advances in technology, globalisation and knowledge management forces an organisation to equip its workers with the knowledge, skills and abilities needed to help the organisation achieve its objectives and give it a competitive edge. This is necessary so that the existing knowledge and skills are not outdated but are

always improved according to the current needs of the individual, the job as well as the organisation.

2. The differences and similarities of the three training models discussed in this topic are:
 - (a) The stress or focus of each model – Critical Event Model stresses the learning aspect in training in order to equip the employees with the knowledge, skills and abilities required. General System Model stresses the validity aspect of the training carried out. The training programme development process stresses on the learning environment aspect and the transfer of learning.
 - (b) Steps proposed – Critical Event Model proposes nine steps. General System Model encompasses four key phases. The training development programme process proposes seven main steps that have to be taken in the training process.
 - (c) Generally, the activities in all three models can be divided into four phases that are inter-related. Close attention is given from the first step to the last in the said process.
 - (d) Every model stresses on the evaluation aspect to identify any weaknesses or errors that exist and to ensure that the objectives of the programme is attained.

ASSESSMENT 3

Essay Questions

1. Career development has a wider scope and focus and encompasses a longer time frame. If the main objective of training is to improve the employees' performance, the career development objective is more towards producing employees who are capable and competitive in all aspects. Therefore, a career development programme cannot be implemented in a short span of time but is more focused on continuous efforts that are formal and organised in nature.
2. The programmes that are regularly carried out in the development phase include mentoring, guidance, job rotation and personal help.
3. Conventional individuals like instructions and working in a structured situation. This kind of individuals are more suitable for jobs in the accounts, finance, military and clerical fields.

ASSESSMENT 4

Multiple-choice Questions

1. B 2. C 3. A 4. C

TOPIC 4: COMPENSATION AND BENEFITS

Exercise 4.1

Essay Question

1. 2 types of compensation that can be offered by the organisation to a worker:
 - (a) Monetary Rewards
 - A direct monetary reward is in the form of cash, salary, commission and bonus
 - An indirect monetary reward is in the form of benefits such as insurance, annual leave, medical leave, flexible working hours and others.
 - (b) Non-monetary Rewards
 - Non-monetary rewards from the work aspects are interesting jobs, challenging, work responsibilities, acknowledgement and career development.
 - Non-monetary rewards from the work environment aspects are good policies and practices, competent supervisors, congenial colleagues and a safe and healthy work environment.

Exercise 4.2

Multiple Choice Questions

1. B
2. D

Essay Questions

1. 2 challenges that need to be faced by the human resource manager in developing an effective salary structure are:

- (a) The influence of equity on wage rate - External factors take into account the similarities between an established wage rate and other organisations' wage rate to attract and retain capable employees. On the other hand, internal factors stresses on fair wage when an employee compares his or her wage with the wage rate of a colleague in the organisation.
 - (b) Wage assurance - Various compensation plans have to be developed to create wage payment assurance including basic salary assurance, service allowance or living expenses, other financial benefits that need to be increased from time to time such as housing allowance. The wage rate developed also has to be revised so that an increase in basic salary follows the increase in living costs.
2. Compensation is all forms of financial and benefits as well as clear and apparent services which are accepted by employees as part of work relations.
3. 5 examples of indirect financial incentives:
 - Annual leave
 - Medical benefits
 - Education Aid
 - Pension
 - Insurance
 - or others as shown in Table 7.1
4. Factors that need to be considered in developing the compensation administration policy are:
 - focus on business objectives and strategies
 - attract and retain competent, motivated and qualified employees
 - encompass organisational reward principles and philosophies
 - prepare wage allocation outline
 - strengthen values and culture desired by the organisation
 - communicated to all employees

Exercise 4.3

Essay Question

- Is able to increase or maintain productivity level or employees' work quality
- Is able to relate rewards to the organisation's goals

Exercise 4.4

True (T) or False (F) Statement

- False
- True

Multiple Choice Questions

- C
- D

Essay Question

- Employer RM8.75
Employee RM2.50
- Mandated benefits programme is a benefit set by the labor system. It is the most minimum allotment on employee rights and has to be provided by employers. Among the mandated benefits include:
 - payment for time off;
 - maternity leave protection;
 - contribution on Employee Provident Fund (EPF); and
 - Social Safety Scheme (SOCSO).
- Non-mandated benefits are benefits offered by employers to employees voluntarily and without force. (Choose any of the three following examples):
 - Insurance Scheme
 - Healthcare
 - Employee Aid Programme
 - Children Day Care Center
 - Food Service

- Transportation Service
- Education Amenities
- Loan Amenities

Among the non-mandated benefits that are usually provided by employers to the employees are:

- Incentives enable an employee to focus on his or her specific job performance target. It provides motivation to the employee thus producing a satisfactory result.
- Incentives are variable costs that can be related to result achievement which is encouraging the increase in output.
- Incentives can also be directly related to operation's achievement whereby if the performance objective is met, incentives will be given. On the other hand, if employees fail to fulfill the performance objective, no incentives will be given.
- Incentives encourage employees to work as a team and increase dependency as payment for individuals depends on a group's achievement.
- Incentives also encourage success sharing among those involved in achieving the performance.

TOPIC 5: WORKPLACE WELL-BEING

Exercise 5.1

True (T) or False (F) Statements

1. False
2. True
3. True
4. False
5. False

Exercise 5.2

True (T) or False (F) Statements

1. False
2. True
3. True
4. False
5. False

Exercise 5.3

True (T) or False (F) Statements

1. True
2. False
3. False
4. True
5. True

Exercise 5.4

True (T) or False (F) Statements

1. True
2. False
3. False

Multiple Choices Questions

1. D
2. A
3. C

Essay Questions

1. Registration usually rejected if The Chief of Pengarah Kesatuan Sekerja finds:
 - There are objectives of the establishment against the law;
 - A part of constitution of working association against with the Trade Unions Act
 - The name of the working organisation that wanted to be establish will give problems in the future or almost the same with other established organisation or the given name are suspicious; or
 - Working organisation that wanted to be established will be use for other reasons that against the law.
2. A protest is considered illegal if:
 - It is about issues/questioning the acknowledgement of working society/organisation
 - It is about issues in mutual agreement received by Industrial Court
 - It is about management rights related with employment of workers, promotions, termination of worker, and allocation of work for workers; and
 - After trade disputes being refers to Industrial Court to be judge.

Exercise 5.5

True (T) or False (F) Statements

1. True
2. False
3. True
4. False
5. True

Exercise 5.6

True (T) or False (F) Statements

1. False
2. True
3. False

4. True
5. True

Multiple Choices Questions

1. B
2. A
3. D
4. C
5. B

Essay Questions

1. A few steps that can be taken include:
 - making the work interesting;
 - create a safety committee enroll by representative workers and management side;
 - display safety statistics;
 - use information boards in organisation for promoting the culture of working safely
 - encourage workers and supervisors in practicing working safely culture; and
 - conduct meeting and safety training from time to time.
2. Below are the ways that employers can use to reduce the rate of accidents in workplace:
 - create safety and health policy;
 - implement all rules and procedures that have been set;
 - investigate immediately accidents that happen;
 - provide protection tools such as helmets, gloves and so on;
 - organise awareness campaigns to reduce accidents from time to time;
 - make sure that workplace surroundings are always safe;
 - organise safe work system;
 - make procedure of reporting and investigation of accidents;
 - create and provide safety training;
 - choose proficient workers;
 - Incentive system. Workers or department can avoid accidents in workplace shall be given reward;
 - Co-operate with government examiners;

- Provide safety uniforms and safety tools;
- Set the working area and non-working area such as dangerous area;
- provide clear warnings' signboards such as "SMOKING IS PROHIBITED", "RESTRICTED AREA", "BE CAREFUL"
- give enough holiday and rest to the workers who need more rest compared to others;
- get input from workers about their problems; and
- get feedbacks from workers every time an accident occur.

(choose any five of the answers above.)

MODULE FEEDBACK
<i>MAKLUM BALAS MODUL</i>

Should you have any comment or feedback, you are welcomed to:

1. E-mail your comment or feedback to modulefeedback@oum.edu.my

OR

2. Download and fill up the feedback questionnaire from
URL: <http://lms.oum.edu.my/> via myLMS
and
e-mail to modulefeedback@oum.edu.my

Thank you.

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