CHAPTER FOUR

Formulation of Personnel Policies.

CHAPTER FOUR

Formulation of Personnel Policies

Efficient utilisation of resources depends a great deal upon the efficiency of personnel operating and handling the resources. The image of management in the minds of employees and the relations between management and workers are dependent on the management policies bearing on human relations. A statement of management intentions concerning people or formulation of a policy on personnel is needed in every organisation.

4.1 Policy on Manpower Management

One major subsystem of policy in every working organisation consists of policy to be followed in the management of human or manpower resources. Policy on manpower management provides guidelines for a wide variety of employment relationships in the organisation. These guidelines identify the organisational intentions in recruiting, selecting promoting, developing, compensating, organising, motivating and otherwise leading and directing people in the working organisation. Like the rest of management policy, personnel policies serve as a road-map for managers.

Definitions

According to W.D. Scott, R.C. Clothier and W.R. Spriegel " Personnel Policies comprise that body of principles and rules of conduct which governs the enterprise in its relationship with its employees "[1]

In the words of Dale Yoder " Personnel policies are those that individuals have developed to keep them on the track towards their personnel objectives "[2]

4.2   Objectives of Personnel Policies

Dale Beach stated following objectives of personnel policies[3]:

1) to give deep thought to the basic need of both the organisation and the employees;

2) to assure consistent treatment of all personnel through--out the organisation. Favouritism and discrimination are thereby minimized;

3) to assure continuity of action even through top management personnel change and thus policies promote stability;

4) to serve as standard of performance and actual results can be compared with the policy to determine how well the members of the organisation living upto professed intentions; and

5) to build employee enthusiasm and loyalty.

Rudrabasavaraj also described the objectives of personnel policy as " The objective of the personnel policy is to create working conditions and a climate which will both attract and retain a willing and capable working team. This is as essential responsibility of management "[4]

4.3   Need for Personnel Policies

The purpose and significance of personnel policies hardly need any elaboration. Every organisation needs personnel

policies to ensure consistency of action and equity in its relations with employees. Personnel policies constitute the basis for sound personnel practices. In general, personnel policies are needed due to following reasons:[5]

1) Personnel policies render decision-making easier and speedier and conserve executive energy for new decisions.

2) They provide guidance for action

3) They create meaningful controls

4) They promote consistency and fairness of action

5) They help to avoid confusion - and misunderstanding among employees.

Moreover, personnel policy is the yardstick by which accomplishment of programmes can be measured. Appraisal of personnel programmes as regards recruitment, selection, training and development, compensation, collective bargaining, and other personnel functions must rely largely on policy as a measuring stick. A statement of management intentions concerning people or formulation of policy on personnel is, thus, needed in every organisation.[6]

4.4   Organic Unity in Policies

Personnel policy is not something that can be considered in isolation. It is an integral part of the whole policy structure of an enterprise. There is an organic unity in policies. W.D.Scott, R.C. Clothier and W.R. Spriegal observed " Personnel policies must passess organic unity with other company policies. Organic unity tends to avoid unnecessary

waste&promotes unity of action. A weakness in any of the major
policies tends to weaken the effectiveness of the other policies"[7]
Similarly, a weakness in personnel policy may weaken effective-
-ness of all other organisational policies.

4.5   Formulating Personnel Policies

Managers hold a heavy responsibility for leadership
in developing appropriate policy. Personnel policy development
is essential in such fundamental management functions as direct-
-ion, co-ordination and control. Personnel policies are major
devices for effective performance of these functions. But policies
stem from a wide variety of places and people. They are not
created in a vaccum and should be based on a few principal
sources. Dale S. Beach stated there are five principal sources
for determining the content and meaning of policies.[8] These are:

1) past practice in the organisation;

2) prevailing practice among other companies in the same
   industry;

3) the attitudes and philosophy of the board of directors and
   top management;

4) the attitudes and philosophy of middle and lower management;
   and

5) the knowledge and experience gained from handling countless
   personnel problems on a day-to-day basis.

4.6   Steps in the policy Formulation Process

The formulation of personnel policy is perhaps one of the most important tasks confronting management. Policy generation is a complex process. Paul and Faith Pigors have suggested following steps in the policy process :[9]

i)   Initiating policy

ii)   Fact - finding

iii)   Recommending a policy to top management

iv)   Putting a policy in writing

v)   Explaining and discussing a proposed policy

vi)   Adopting and launching a policy

vii)   Realising a policy throughout the company and to the union

viii)   Administering a policy

ix)   Follow-up the policy

x)   Evaluating an existing policy

xi)   Restating or reformulating a policy

Final step in the formulation of personnel policy is to undertake a periodic review and revision of the policies. This shows success or failure in administrating policies. The responsibility for assessment, review and restating a policy, if needed, should lie with the personnel department.

4.7   Responsibility for Establishing Policies :[10]

Most personnel policies are best established at the higher level of management with the advice and assistance of staff personnel. Middle and supervisory levels will be more concerned with transmission and application of policies. Middle

management will be responsible for communicating the policy
formulations to operating level. Such communication would involve
interpreting policies, clarifying areas of uncertainty and
misunderstanding, and training lower levels in policy applica-
-tion. And the first line supervision and, in some instances,
the personnel department would be responsible for applying
personnel policies in their respective areas of duties. In this
context Dale Yoder observed " Policy making thus involves all
levels in the working organisation to some degree. The function
cannot be exclusively retained by top executives, although they
hold a heavy responsibility for leadership. ... It is not a
function of arbitrary establishment of policy by fiat [11]

4.8   Written Personnel Policy

There can be little doubt that a statement of
personnel policies constitutes a very practical aid to organi-
-sational operations. But personnel policy should be in writing.
Because, as Dale Beach said " Only when policies are reduced
to writing can they be communicated to all employees. ... They
insure reasonable consistent treatment throughout the company
on such matters as pay, promotion, transfer, layoff, pension
rights, insurance benefits, training opportunities and grievance
handling "[12] Thus, the usefulness of a written personnel policy
statement can hardly be denied.

4.9   Practical difficulties in writing personnel policies

Personnel policies should be in writing out any attempt to produce a statement of personnel policies runs into a number of practical difficulties quite apart from the diffi- -culties inherent in the writing itself. James J. Rambrick stated following difficulties in writing personnel policies[13]:

a) Active participation of top management

b) Difficulty in living-up to personnel policies

c) Difficulty in an organisation with a history of mergers and acquisitions.

d) Difficulty in highly unionised companies

Due to above difficulties, many organisations fail to write personnel policies. Moreover, there are other reasons in not writing personnel policies. As Dale S. Beach observed " In fact many executives actually are opposed to writing the personnel policies on paper and disseminating them to all concerned. They contend that such action would tie their hands and limit their freedom of action "[14]

4.10   The Halfway-House Approach to Personnel Policy

To remove the practical difficulties involved in writing a complete set of personnel policies at one time, a number of organisations are adopting a half-way house approach to personnel policy. This approach represents an evolutionary stage in the development of personnel policy. In this approach,

instead of preparing a complete set of personnel policy, personnel guide is developed. This personnel guide is, in effect, semi-policy. This approach to personnel policies offers the advantages that go with built-in-flexibility.[15] Personnel guides are subject to revision as circumstances dictates. In this context, L.A. Appley has stated " Readiness to commit oneself to a written policy indicates bigness. Readiness to alter policy with changing conditions in favour of a wise course of action is indicative of greatness "[16] Therefore, personnel policies must be in written form. Handbooks, house bulletins and booklets may also be used for the purpose.

4.11   Communication of Personnel Policy

Personnel policies may exist, either written or unwritten, in all organised activities. Some one has said that an idea not exist unless it can be put in writing. A personnel policy also does not exist unless it is in writing. The useful--ness of personnel policies depends not only upon in writing but also communicating policies to the concerned parties. Therefore, the statement of the personnel policies must be communicated throughout the organisation. It is because as Dale S. Beach said " The statement of the personnel policies does little good if it is looked in the company president's desk "[17] Not only should the policy be communicated to all concerned, but also a real education programme should be set up to teach them how to handle various personnel problems in the

light of the newly developed policy. To be effective, personnel policies ought to be communicated as widely as possible. A policy is worthwhile only when it is carried out on a day-to-day basis.

4.12 Advantages of Personnel Policies

Though it has already been pointed out that the laying down of personnel policy is essential to achieving the organisation's goals, this is admittedly a somewhat abstract statement. It is worthwhile, therefore, to consider the advant--ages of personnel policies in more practical terms. James J. Bambrick has stated advantages of personnel policies as below[18] :

1) They facilitate decentralization.

2) They create more meaningful controls.

3) They give security to non-union personnel.

Moreover, they provide guidlines for a wide variety of employment relationships in the organisation. They also represent the personnel philosophy of the management. Thus, significance of personnel policies hardly need any elaboration. James J. Bambrick has rightly said " Without policies the manager never knows what is 'right' "[19] Every organisation needs, therefore, personnel policies to ensure consistency of action and equity in its relations with employees. However, the success of personnel policies depends upon so many activities. As Scott, Clothier and Spriegel observed that the success of personnel

policies is determined largely, by three areas of activity :[20]

1) The success of the top management in determining labour policies wisely.

2) The success of the personnel manager in interpreting these personnel policies properly.

3) The success of the line executives, particularly the first line supervisors, in interpreting policies and in promoting the effectiveness of their workers by dynamic leadership.

4.13 Personnel Policies in the Selected Urban Ba-

Like any other organisation, personnel constitute an integral part of the urban banks and hence personnel policy plays an important role in the efficient functioning of Urban Co-operative Banks. Personnel policy provides guidelines regar--ding the bank's intentions in recruiting, selecting, promoting, developing, compensating, organizing, motivating and otherwise leading and directing people of urban banks. The objectives of urban co-operative bank can hardly be achieved without whole hearted co-operation from its employees and for securing full co-operation, there should be written personnel policy; because the relations between management and employees are dependent on the management policies bearing on human relations. Moreover the requirement of personnel policy has become all the more urgent and significant due to the wide expansion and diversifi--cation of activities of urban banks.

However, the urban co-operative banks in our country are yet to develop systematic personnel policies.

S.I. Goel and B.B. Goel observed " In the co-operative organisation, personnel policy in its true sense is non-existent. Without sound personnel policy, there is no proper planning and decision-making"[21] Thus, for proper personnel planning, and sound relationships, the urban co-operative banks should have a declared and well accepted personnel policy. It should reflect the total personnel system rather than attending on piece-meal basis the sub-system.

In order to make survey of personnel policies and practices in the selected urban banks under study, some questions related to personnel policies were asked to the respondents (i.e. bank employees, management, and union leaders). Below mentioned findings are based on the replies of the respondents and information provided by urban banks.

4.14 Urban Banks having Personnel Policy

Out of 6 urban banks surveyed, 5 banks claimed to have personnel policies and out of these 5 banks, however, only 4 banks had written personnel policies. Table 4.1 shows the number of banks claiming to have personnel policies in writing

Table 4.1   Urban Bank having personnel policy

Bank	Having personnel policy	Having written personnel policy.
R.S.C. Bank	Yes	Yes
P.S.S.Bank	Yes	Yes
J.S.Bank	Yes	No
S.S. Bank	No	No
K.U.C.B (Br)	Yes	Yes
S.T.C.B.(Br)	Yes	Yes

Table 4.1 indicates that 67 percent(4 out of 6 banks) of the urban co-operative banks had claimed having personnel policies in writing but the management of these banks refused to show personnel policies in writing due to their practical difficulties. This fact revealed that majority of urban banks did not have written personnel policy, though they claimed to have personnel policy. Investigation further revealed that 50 per-cent of the banks claiming to have personnel policy did not draw a policy in writing due to some practical difficulties, these were as follows :

a) Management of urban banks under study were not in favour of formulating personnel policies in writing because written policy pre-suppose active participation of the top management for its implementation

b) Size of the personnel in majority of the urban banks was small. It was observed that 50 percent of the urban banks had less than 25 employees. This had been acted as a negative factor in the formulation of personnel policies.

c) There were no strong bank employees' unions and hence their bargaining power was also very limited. Union leaders were unable to force the management to formulate and communicate personnel policies

d) Many managers of urban banks were opposed to writing the personnel policies on paper because they contend that such action would tie their hands and limit their freedom of action.

Survey revealed that nearly two third of the urban banks had no written personnel policies, either due to reluctant

of the bank management or weak employees' unions.

4.15   Employees' Awareness of the Personnel Policy

In this survey, the employees were asked to state their awareness with personnel policy of their banks. The results of the study are given in Table 4.3

Table 4.2   Employees' Awareness of Personnel Policy

Bank	'No.of employees who knew that their banks had personnel policy		'No.of employees who felt their banks had no policy		'Total employees/respondents
R.S.C.B.	3	20%	12	80%	15
P.S.S.B.	8	40%	12	60%	20
J.S.B.	6	20%	24	80%	30
S.S.B.	-	-	15	100%	15
K.U.C.B.	3	30%	7	70%	10
S.T.C.B.	2	20%	8	80%	10
Total	22	22%	78	78%	100%

Table 4.2 shows that 78 percent of respondents did not know the personnel policy of their banks, whereas only 22 percent of respondents stated that their banks had personnel policy and they knew personnel policy of their banks. Majority of clerks and subordinate staff were not aware with personnel policies while 80 percent of officers were aware with the personnel policies.

Bankwise analysis showed that in S.S.B. 100 percent of the respondents did not know the personnel policy, because

that bank did not have personnel policy. Nearly 60 to 80
percent of respondents of all urban banks under study did not
know the personnel policies, whereas in P.S.S.B. 40 percent
of respondents were familiar with personnel policy. This shows
that P.S.S.Bank was more careful about the communication of
personnel policy to its employees.

Reasons of Employees' Unfamiliarity with Personnel Policies

In response to the question " State reasons for
unfamiliarity with personnel policies " the respondents were
stated various reasons. Table 4.3 shows the survey results in
this respect.

Table 4.3   Reasons of Employees' Unawareness with

Personnel Policies

Bank	Not communi-cated	Policy is not clear	Not accept-able	Any other reason	Total respondents
R.S.C.B.	11	-	-	1	12
P.S.S.B.	5	6	-	1	12
J.S.B.	20	-	-	4	24
S.S.B.	-	-	-	15	15
K.U.C.B.	7	-	-	-	7
S.T.C.B.	8	-	-	-	8
Total	51	6	-	21	78
Percentage	65%	8%	-	27%	100%

Table 4.3 confirms that 65 percent of respondents stated that policy was not communicated, 8 percent of respon- -dents told that policy was communicated but it was not clear and 27 per-cent of respondents stated that either policy was not known or not (acceptable) favourable. Data further reveals that more than one reason was responsible for employees having no familiarity with personnel policies. In short 78 per-cent of total respondents were not familiar with personnel policies of urban co-operative banks under study, either one or other reason.

4.16   Employees' Participation in Policy Formulation

In response to the question " Are you participated in policy formulation task?", nearly 95 percent of respondents including 10 officers replied that they had not participated in the formulation of personnel policies of their banks. It is because Board of Directors determines the Personnel Policy. However, 5 officers were participated, as a representative of bank employees, in personnel policy formulation tasks. Partici- -pation of clerks and subordinate employees was nil in Board of Directors. Though, for successful implementation of personnel policy, participation at different levels is invariably required in personnel policy formulation.

4.17   Employees' Satisfaction with Communication of Personnel Policy

During the course of survey, the question of

satisfaction with communication system was asked to every respondent. The question was " Are you satisfied with communication of personnel policy?". Reactions received in response to the above question showed that most of the employees (78 per-cent) were dis-satisfied with communication of perso--nnel policies. (including highly dis-satisfied and undecieded), whereas 22 per-cent were satisfied with communication of policy. Employees reaction or safisfaction is shown in Table 4.4.

Table 4.4 : Employees' Satisfaction with Communication or Personnel Policy

(No.of respondents)

Bank	Highly Satisf-ied	Satisf-iied	Dis-satisf-ied	Highly dis-satisf-ied	Unde-cided	Total employees
R.S.C.B.	-	3	10	-	2	i5
P.S.S.B.	1	7	12	-	-	20
J.S.B.	-	6	21	3	-	30
S.S.B.	-	-	-	-	15	15
K.U.C.B.	-	3	6	1	-	10
S.T.C.B.	-	2	7	1	-	10
	1	21	56	5	17	100

Table 4.4 shows that those employees who were aware with personnel policy were dis-satisfied with communication of policy. On the other hand, those employees who were unaware with personnel policy were also dis-satisfied with communication of personnel policy. However nearly 80 per-cent of employees

were dis-satisfied with implementation of personnel policies.

4.18   Employees' Satisfaction with Various Elements of

Personnel Policy

Although, majority of the employees were
found to be dis-satisfied with personnel policies and their
degree of dis-satisfaction was found different with respect
to various aspects of personnel policy as shown in Table 4.5.
Table 4.5 :   Employees' Satisfaction with Various Elements
of Personnel Policy.

Elements of Personnel Policy	Degree of Satisfaction				Total respondents
	Highly satisf-ied	Satisf-ied	Dis-satisf-ied	Undeci-ded	
1. Recruitment and Selection	8	54	22	16	100
2. Training and Developments	2	34	52	12	100
3. Promotion and Transfer	-	43	38	19	100
4. Wage and Salary	2	41	47	10	100
5. Employees' benefits and services	-	41	50	9	100

Table 4.5 reflects that 62 per-cent of
employees were satisfied with recruitment and selection policies
of the urban co-operative banks and 43 per-cent of employees
were satisfied with promotion and transfer policies. On the
other hand, 64 per-cent of respondents were not satisfied with

the training facilities being provided by the urban banks.
Most of them observed that they did not get a chance to attend
the training courses because the management gave more emphasis
on training of top and middle level. 57 per-cent of respondents
were dissatisfied with wage and salary policy, while 59 per-cent
employees were un-satisfied with welfare facilities and servic-
-es provided by the urban banks. On the whole, except recruit-
-ment and selection policies, majority of the respondents were
dis-satisfied with various element of personnel policy.

4.19   Personnel Policy and Employees' Union

During the course of the survey, the researcher
contacted with four bank employees' union leaders in order to
know their opinions about personnel policy and practice followed
by their banks, Investigation revealed that three out of four
union leaders were found to be familiar with the personnel
policy of their banks and one union leader was not familiar
with personnel policy. Two out of the three union leaders clai-
-med to have participated directly (as a representative of
employees) in the formulation of personnel policies of the
urban co-operative banks. In those urban banks where the unions
participated in policy-making, members understood the policy in
the same sense in which management did. Employees' unions played
very limited role in the formulation of personnel policies in
the urban co-operative banks under study.

Unions Satisfaction with Personnel Policies

Regarding union satisfaction with personnel policies, the overall finding is presented in below table.

Table 4.6 : Union leaders' Satisfaction with Personnel Policies

Elements of Personnel Policies	Degree of satisfaction				Undecided
	Highly Satisf-ied	Satisf-ied	Dis-satisf-ied	Highly dis-sati-sfied	
1. Recruitment and selection	-	3	1	-	-
2. Training and development	-	2	1	1	-
3. Promotion and transfer	-	2	2	-	-
4. Wages and salaries	-	1	1	2	-
5. Employee benefits and services	-	1	2	1	-

Table 4.6 shows that union leaders were satisfied with recruitment and selection policies of the urban banks; they were neither satisfied nor dis-satisfied with training and development policy and promotion policy. But they were highly dis-satisfied with wage and salary policy of the urban banks. 75 percent of union leaders (3 out of 4) were not satisfied with compensation policies adopted by the urban banks. Similarly, they were not satisfied with welfare facili--ties provided by the banks because working conditions were very far from satisfactory in majority of urban banks. Moreover,

they were not satisfied with employee-management relations due to the suppression policy adopted by the management while dealing with employees' unions.

R E F E R E N C E S

1. W.D. Scott, R.C. Clothier, and W.R. Spriegel : ' Personnel Management ', principles, practices and a point of view Tata McGraw-Hill Publishing Co. Ltd., New Delhi, Sixth Edition 1977. P. 59.

2. Dale Yoder : ' Personnal Management and industrial Relations'- Prentice - Hall of India Pvt. Ltd. New Delhi 1981 .p.26.

3. Dale S. Beach : 'Personnel - The Management of people at work' Macmillam Publishing Co. inc, New Delhi 1980 p.p.40-41.

4. M.N. Rudrabasavaraj : 'Dynamic Personnel Administration' Management of Human Resources' Himalaya Publishing House, Bombay, 1983, p.70.

5. P.S. Tripathi : 'Personnal Management (Theory and Practice), Sultan Chand & Sons, New Delhi, 1978 p.19.

6. Gopalji : 'Personnel Management in indian Industries' Ashish Publishing House, New Delhi, 1985 p. 37.

7. W.D. Scott, R.C. Clothier and W.R. Spriegel. Op.cit. pp.49-50.

8. Dale S. Beach. Op cit. p. 41.

9. Paul and Faith Pigors : Who should make personnel Policies? in R.D.Agarwal Edi ' Dynamics of personnel Management in India' Tata - McGraw - Hill Publishing Co.Ltd. New Delhi, 1977 p.p. 88-100

10. Michael J. Jucius : ' Personnel Management ' D.B. Taraporevala Sons & Co. Pvt. Ltd. Bombay, 1978 pp. 60-61.

11. Dale Yoder . Op. cit . P. 38.

12. Dale S. Beach Op. cit P. 41.

13. James J. Bambrick : ' Guidelines for Developing Workable Personnel Policy ' in R. D. Agarwal Edi. ' Dynamics of Personnel Management in India ' Tata McGraw - Hill publishing Co.Ltd. New Delhi 1977 P.P. 108-109.

14. Dale S. Beach. Op Cit P. 41.

15. James J. Bambriek Op. cit. 110.

16. Lawrence A. Appley, "Essentials of a Management Personnel Policy" Personnel, Vol. 23 No 5 May 1942, P.P. 430 - 35. Quoted by Gopalji : ' Personnel Management in Indian Industries'.

17. Dale S. Beach Op. cit P. 42.

18. James J. Bambrick Op. cit. P.P. 107 - 108.

19. Ibid. p. 108

20. W. D. Scott, R.C. Clothier and W. R. Spriegel Op. cit P.59.

21. S.L. Goel and B.B. Goel : 'Administration of Personnel in Cooperatives' Sterling Publishers Pvt. Ltd. New Delhi, 1979 P.5.