

# **UNIT 1 CONCEPT, NATURE AND SCOPE OF PERSONNEL ADMINISTRATION**

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## **1.0 OBJECTIVES**

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After reading the unit, you should be able to :

- explain the concept of personnel administration ;
- discuss the nature and meaning of personnel administration;
- highlight its evolution and development; and
- discuss the scope of personnel administration.

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## **1.1 INTRODUCTION**

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People of a country are an important asset for it, so is the case with organisations. The successful functioning of an organisation depends on its manpower and quality of leadership. The manpower by itself does not contribute to the development of an organisation, it has to be converted into human resources through systematic planning, adequate training and proper education. Without the growth of human resources called the human capital, goals and objectives of an organisation can never be achieved. Human capital can be defined as the sum total of knowledge, skills and aptitudes of the people in the society. Development of human resources poses a major challenge for the developing countries like India. Manpower planning is an important tool for developing human resources. Investments in manpower planning whether made by government or a private organisation belong to the individual and do not depreciate. In fact they increase with the passage of time. Thus human resources are an important part of the total resources of an organisation. Though financial resources, physical resources (the work place, machinery etc.) and technological resources are also very important, it is the human resources which are most vital as they generate the other resources. Adequate utilisation of human resources would automatically lead to optimum utilisation of financial, physical and technological resources. No organisation can achieve the desired goals without effective management of all its resources, but human capital is the most essential element of an organisation. As personnel administration deals with the management of the human resources, the study of its concept, nature, scope and development assumes importance. These aspects will be highlighted in this unit.

## 1.2 CONCEPT OF PERSONNEL ADMINISTRATION

The tasks of government are increasing everyday. Development and welfare orientations have led to the expansion of government and its administrative machinery. As the tasks, responsibilities and activities of organisations whether public or private multiply, the demands on personnel, at every level, in terms of efficient discharge of their duties also rise. Thus the task of personnel administration is to assure a steady source of people who can contribute to the success of an organisation and meet the growing demands of development. To understand the concept of personnel administration, it is very essential to first understand the meaning and nature of the term.

### 1.2.1 Personnel Administration : Meaning

Personnel administration is that part of administration which is concerned with people at work and with their relationships within an organisation. It refers to the entire spectrum of an organisation's interaction with its human resources from recruitment activity to retirement process. It involves personnel planning and forecasting, appraising human performance, selection and staffing, training and development and maintenance and improvement of performance and productivity. Personnel administration is closely related to an organisation's overall effectiveness.

There is no standard definition of the term 'personnel administration'. Still there is a widespread unanimity among writers on its meaning, scope and purpose. According to Flippo, personnel function is concerned with the procurement, development, compensation, integration and maintenance of the personnel of an organisation for the purpose of contributing toward the accomplishment of that organisation's major goals and objectives. Dale Yoder uses the term "manpower management" instead of "personnel management" and includes both labour relations and personnel administration within its ambit. According to him, "the term effectively describes the processes of planning and directing the application, development and utilisation of human resources in employment. Employers, employees, unions and public agencies all have important roles to play in these processes."

According to Thomas G. Spates, "personnel administration is a code of the ways of organising and treating individuals at work so that they will each get the greatest possible realisation of their intrinsic abilities, thus attaining maximum efficiency for themselves and their group and thereby giving to the enterprise of which they are a part, its determining competitive advantage and optimum results."

Michael Jucius defines personnel administration as "the field of management which has to do with planning, organising, and controlling various operative functions of procuring, developing, maintaining and utilising a labour force such that the:

- a) "objectives for which the company is established are attained economically and effectively;
- b) "objectives of all levels of personnel are served to the highest possible degree;
- c) "objectives of the community are duly considered and served."

The Institute of Personnel Management in U.K. defines personnel management as "that part of the management function which is primarily concerned with the human relationships within the organisation. Its objective is the maintenance of those relationships on a basis which, by consideration of the well-being of the individual, enables all those engaged in the undertaking to make their maximum personnel contribution to the effective working of that undertaking." The Indian Institute of Personnel Management has also adopted this definition.

The above-mentioned definition was replaced in 1966 by a more elaborate definition. It reads, "Personnel management is that part of the management function which is concerned with people at work and with their relationships within an enterprise. Its aim is to bring together and develop into an effective organisation the men and women who make up an enterprise and, having regard to the well-being of an individual and of working groups, to enable to make their best contribution to its success."

In particular, personnel management is concerned with the development of policies governing:

- Manpower planning, recruitment, selection, placement and termination
- Education and training, career development
- Terms of employment, methods and standards of remuneration
- Working conditions and employees' services
- Formal and informal communication and consultation both through the representatives of employers and employees and at all levels throughout the organisation
- Negotiation and application of agreements on wages and working conditions, procedures for the avoidance and settlement of disputes.

Personnel management is also concerned with the "human and social implications of change in internal organisation and methods of working and of economic and social changes in the community."

Thus we can say that personnel administration deals with the recruitment, placement, training, disciplinary measures, monetary and non-monetary incentives and retirement benefits of the human beings or the personnel within an organisation. It also deals with the nature of human relationships in an organisation, interaction between the human beings within an organisation and interaction of human beings with the organisation. Personnel administration includes all activities and functions relating to policy formulation, planning, policy implementation, social change and modernisation, administrative reforms and public relations in an organisation. It aims at optimum utilisation of human resources in order to achieve maximum results with minimum wastage of funds and technology.

Personnel administration is variously known as 'personnel management', 'labour relations', 'manpower management', 'labour welfare management', etc. But the term 'personnel administration' connotes a wider meaning, it includes both personnel management and industrial relations. Many a times the terms labour relations and industrial relations are used interchangeably with personnel administration but it is always better to distinguish between them. The term 'labour relations' refers primarily to the relation between management and organised labour. It includes negotiations of contracts with unions. It deals with handling of differences with unions and business agents. Some organisations have a labour relations officer or director whose primary task is to advise and assist top management in their dealing with union representatives. This official may or may not report to personnel administrator. In an unionised organisation, where there is no labour relations officer or director, the personnel administrator performs the task of labour relations officer.

Thus personnel administration aims at:

- Effective utilisation of human resources
- Desirable working relations among all members of the organisation
- Maximum development
- Meeting the organisation's social and legal responsibilities.

According to Michael J. Jucius, personnel management should aim at:

- a) attaining economically and effectively the organisation's goals;
- b) serving to the highest possible degree the individual goals; and
- c) preserving and advancing the general welfare of the community.

To obtain these objectives, personnel administration is concerned with planning, organising, directing, coordinating and controlling the cooperative efforts of individuals within an organisation.

### 1.2.2 Nature of Personnel Administration

Personnel function is crucial in any administrative organisation. The organisation cannot afford to ignore it. Hence it becomes a basic responsibility of the management, be in the government or in semi or non-government organisations. The changes in the socio-economic environment has its effect on management. The management environment keeps changing due to the changes that occur in the total socio-economic environment. The political environment also affects the work environment in an organisation. Such changes get reflected in personnel administration. These changes can be :

- i) changing mix of the personnel entering government service organisation
- ii) changing values of personnel
- iii) increasing expectations of the government from their employees, and
- iv) increasing expectations of the people from the government at different levels.

Thus management is affected by the changes in the social, economic and political scenario. In fact it has to keep up with these changes. A higher number from schedule castes, tribes and other economically backward classes are joining the government service. A greater number of people with higher education, more women, more technically skilled workers are also joining the government service. This has really changed the ratios of working force. With the proliferation of activities under 'development' and 'welfare' programmes, the employees are now expected to be more competent and efficient. People at large expect the administration to be efficient, effective and sympathetic. People's involvement in administrative activities is increasing. Due to the constant demands on administration, the role of personnel administration is also changing.

Personnel are required to perform 'line' and 'staff' functions. Activities directly related to the primary objective of an organisation are called as 'line' functions. The 'staff' functions are those which facilitate and assist the performance of line work. They are in the nature of secondary activities and enhance the effectiveness of the line agencies. For example, assistance in processing and supplying the required number of personnel and training and development of personnel are essentially staff functions. An organisation cannot function without the assistance of line and staff personnel. At the same time, personnel function cannot be isolated from the rest of the administrative functions. Personnel functions include both line and staff activities in an organisation.

Personnel administration does not always function in a formal organisation. No organisation can solely run on the basis of formal rules and regulations, it comprises human beings who are structured in an authority and responsibility network in order to carry out the tasks and activities for the fulfilment of organisational objectives. This formal structure is supplemented, supported or sometimes obstructed and on occasions taken over by the informal organisation. Informal organisation grows within the formal organisation. It is a natural phenomenon and is based on social and cultural relations among the personnel of formal groups. Political, economic and psychological factors also contribute to the growth of informal organisation.

The functions of personnel administration are becoming more complicated day by day. The problems of personnel administration differ from one organisation to the other. Big organisations have more tasks to perform, they employ more people and serve varied objectives. The task of personnel administration in such organisations becomes more intricate. As personnel administration deals with human beings all the time, the crucial functions of motivation and morale of employees have to be performed by it. It has to meet the growing needs of the people as well as satisfy the increasing expectations of its employees.

#### Check Your Progress 1

- Note :** (i) Use the space given below for your answers.  
 (ii) Check your answers with those given at the end of the unit.

1) What is meant by personnel administration?

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2) Discuss the nature of personnel administration.

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### 1.3 PERSONNEL ADMINISTRATION: EVOLUTION AND DEVELOPMENT

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While the evolution and development of personnel administration in U.K. and U.S.A. was largely voluntary, in India, the growth of personnel administration can be attributed to the efforts made by the government. While in the West, the pioneering work in the field of personnel management was motivated by the managerial preoccupation with the concept of welfare, in India, unsystematic recruitment practices, growing labour unrest, loss of production etc., initiated some interest in personnel management.

In U.K., personnel administration had its origin in the concept of welfare as propounded and practised by some of the enlightened entrepreneurs, who sought the establishment of modern personnel administration. The term personnel management actually originated in the U.S.A.

It was F.W. Taylor's scientific management which laid the foundation for the development of personnel administration. Taylor laid emphasis on scientific selection and systematic training and development of the individual worker. H.L. Gantt, a close associate of Taylor, in scientific management movements, foresaw the need for obtaining the willing cooperation of the worker. He maintained that it was not enough to tell the worker how to do a job, but it was also necessary to promote the ability and willingness to do a job. Mary Parker Follet also laid stress on training and development aspects of management. The pioneers of scientific management, apart from increasing efficiency, aimed at fighting fatigue and monotony among the workers.

Most important breakthrough for personnel administration was Elton Mayo's Hawthorne experiments and the human relations movement. These experiments paved the way for using the disciplines of sociology, psychology, industrial psychology, social psychology etc., with a view to understanding employees and organisational behaviour and influencing them through a motivational approach. All this led to the gradual evolution and development of a theory and practice of personnel management.

There were also other events and influences which led to the growth of personnel management. Various revolutionary concepts like mass production, mass distribution and mass financing were evolved by industrial and business empires. The labour shortages during the world wars and various labour problems posed a challenge to management. With the Great Depression in 1929, big business suffered a severe setback. The State, the public and the trade unions, aimed at efficient professional management. Their demands were, elimination of waste and maximum utilisation of resources, particularly human resources.

All these developments in America emphasised the fact that management of people or personnel management is just as important as the management of production. Thus the entrepreneurial interest, apart from other events in the sphere of worker welfare provided the source of inspiration for the evolution of modern dynamic personnel administration.

The history of the evolution and growth of personnel management in our country is not very old. It was the Royal Commission on Labour which recommended in 1931 the appointments of Labour Officers to deal with the recruitment of labour to settle their grievances. The industrial disputes of 1920s forced the government and businessmen to think in terms of labour problems and promotion of personnel management. The recognition of trade unions in India gave a new perspective to the employer and employee relationship. Entrepreneurs like the Tatas, Calico Mills, British India Corporation etc. had appointed Welfare Officers as early as 1920. These Labour Welfare Officers performed the functions of redressal of employee grievances and promotion of industrial harmony.

In 1937 in Bengal, on the suggestion of the Government, the Indian Jute Mills Owners' Association appointed a Labour Officer to bring about a settlement of employee grievances with the mills and by 1939 five more Labour Officers were appointed. Other Employers' Associations like Indian Engineering Association, Indian Tea Association, the Engineering Association of India etc., also followed the example of Indian Jute Owners' Association in appointing labour officers. In 1941, the Government of India initiated the Tripartite Labour Conference with the representatives of Government, labour and employees in order to promote uniform labour legislation, determine a procedure to settle industrial disputes, and promote consultations on industrial matters affecting the country. Now they have become permanent and regular features of labour policy. In 1948, the Factories Act Rules laid down the appointment, duties and qualifications of a new statutory officer in industry called the Welfare Officer. The following years saw the emergence of yet another officer called the Personnel Officer. The Personnel Officer deals with labour welfare, industrial relations and personnel administration. Many companies in India now have specialised personnel departments and a full-time Personnel Officer in charge.

Now the number of personnel is increasing at a very fast rate, expenditure on personnel is also correspondingly increasing. There has also been a trend in regard to the diversification in the personnel as more and more specialists, experts and technicians are being appointed in government departments, public and private organisations. Contemporary personnel does not just deal with welfare of employees but also aim at achieving profits for the organisation. The motive is to earn profits as well as benefits for the organisation and its employees.

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## 1.4 SCOPE OF PERSONNEL ADMINISTRATION

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Personnel administration incorporates all aspects of management of persons in organisation. The primary objective of personnel administration, as we have read earlier in the unit, is to ensure effective utilisation of human resources in pursuit of organisational goals. The personnel administration departments should design and establish an effective working relationship among all the members of an organisation by division of organisational tasks into jobs, defining clearly the responsibility and authority for each job and its relation with other jobs in the organisation. Personnel administration must try to enthuse among the employees feelings of commitment, involvement and loyalty to the organisation. The aim is to establish cordial relations among the employees and do away with frictional situations arising out of personal jealousies, rivalries and prejudices. Personnel administration also has to curb unfavourable practices like favouritism and nepotism in an organisation.

Personnel administration has to concentrate on various aspects of management like recruitment, training, promotion, conditions of service, employees welfare, employer-employee relations and processes of morale and motivation. It has to develop links with immediate, intermediate and external environment to make itself effective and efficient.

As the tasks of organisation increase, the responsibilities of personnel administration also increase accordingly. It is not possible to solve the problems with a one-time and one-stroke decision. Larger the system more are the complexities. Take for example, the Government of India, it is divided into ministries, departments, divisions, units etc. It is spread over the entire length and breadth of the country. Lakhs of people work in it, they operate at different hierarchical levels and carry out a large variety of functions. A number of services and their division into groups constitute the entire workforce of the Central government. Almost similar is the situation in each state. Personnel administration has to cater to all these aspects. It requires continuous managerial input.

Planning and providing for the regular supply of the needed manpower for different positions and in different numbers is an important task of the government. The process of recruitment and utilisation of each micro-unit of human resource calls for effective personnel administration, similarly, creating and maintaining desirable working relationships also call for a series of continuous efforts on the part of the personnel. Those responsible for personnel administration have to work for it constantly.

The achievement of these two objectives becomes easier if the organisation provides appropriate opportunities for individual development. These opportunities can be in the form of training, internal and external mobility, promotion, recognition and reward. They act as strong motivators and satisfiers. Besides, salary structuring of lakhs of employees is a wholesome task because each category has to be adequately and equitably compensated for the contribution it is expected to make towards organisation's objectives. This is also a work of personnel administration. The working force also has to be subjected to certain discipline in order to regulate proper performance of duty. Framing of conduct rules, laying down procedures of disciplinary action, enforcement of those rules and adoption of appropriate procedures are also a part of personnel administration.

Employer-employee relations, provision for Joint Consultative Machinery, establishment of public service tribunals for adjudication, adoption of welfare measures and payment of retirement benefits etc. to the employees are the added responsibilities of personnel administration. Trade unionism among government employees has increased during the past few decades. Both employer and employee unions have come up. There is now a dire need for expert skills to foresee personnel needs and problems and to plan for their satisfaction and rectification. All this requires systematic personnel administration. Thus the scope of personnel administration is wide and varied, moreover it is continuously expanding with the changes in environment.

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## **1.5 CONCLUSION**

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Thus we can say that it is the personnel which more than anything else determines the quantity and quality of the performance and output of an organisation. Even the contribution of money and material to the performance of an organisation depends substantially upon their manipulation by the human beings in an organisation. Even the poorly devised machinery may be made to work if it is manned with well-trained, intelligent and imaginative staff. On the other hand, the best planned organisation may produce unsatisfactory results if it is operated by mediocre and disorganised staff. Personnel constitute an integral part of the organisation. It is with their requisite skills, aptitude, integrity and organising capacity that they can build the image of their organisations as effective institutions in nation building.

Personnel administration with its ever increasing responsibilities has become an indispensable part of management. There is a need for making personnel administration responsible for bringing about innovative changes in the structure of organisation, undertaking personnel research and conducting attitude surveys. There is also a need for making personnel administration accountable for formulating cost effective policies and programmes and establishing positive relationship between the organisation and environment. A constantly changing scenario calls for better recruitment procedures, newer training techniques, re-training methods, mid-career training, more coordination between private and public welfare programmes, effective organisational development, better performance appraisal devices and more useful leadership methods.

**Check Your Progress 2**

**Note :** (i) Use the space given below for your answers.  
(ii) Check your answers with those given at the end of the unit.

1) Highlight the development of personnel administration in India.

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2) Discuss the scope of personnel administration.

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**1.6 LET US SUM UP**

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It is clear that no organisation can afford to disregard the needs of its personnel. Every organisation has to keep its personnel satisfied. Personnel are the means through which organisations develop. In this unit we familiarised ourselves with the meaning and nature of personnel administration. The evolution and growth of personnel administration was highlighted. The unit also discussed the scope of personnel administration.

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**1.7 KEY WORDS**

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**Formal Organisation :** Formal organisation is one which is deliberately planned and designed and duly sanctioned by the competent authority. It is bound by rules, regulations and well-defined procedures.

**Great Economic Depression :** The world wide economic depression that started in 1929 and lasted till 1935. During this period purchasing power with the buyers was very high but there was a severe shortage of goods in the market. It means that demand for goods was more than the supply. The period was marked by low economic activity, inflation and mass unemployment.

**Hawthorne Experiments :** Experiments conducted by Elton Mayo and his associates at the Hawthorne Plant of the Western Electric Company (Chicago). The experiments spreading over a period of nine years (1924-32) laid that the



management should concentrate on human situations, motivation, employer-employee relations, stability of the labour, conducive working conditions and supervision. It emphasised the need for informal organisation.

**Informal Organisations :** These are shadow organisations of formal organisations. They are ill-defined and do not have definite organisational goals. The relations between the members of these organisations are not specific. They function in a flexible manner and are not bound by rigid rules and regulations.

**Joint Consultative Machinery :** It is a consultative body which consists of representatives of both employers and employees. This body meets at regular intervals to discuss matters concerning the interests of employers and employees and arrive at certain agreed settlements. Matters relating to conditions of service of employees, welfare of staff, management policies relating to improvement of efficiency and work standards are discussed by this machinery.

**Line Agencies :** In order to carry out the major primary functions of the government, a number of departments or administrative agencies are established. These are called line agencies because they are directly concerned with the execution or fulfilment of the primary objectives of the government. They are responsible for controlling, regulating, directing and commanding the administration and come frequently in direct contact with people. Government departments and public corporations are the examples of line agencies.

**Staff Agencies :** These agencies perform the secondary functions in administration. They assist the line agencies in carrying out their functions. They provide them with the necessary assistance, advice, counsel, support, information and statistics etc. Some examples of staff agencies are UPSC, Prime Minister's Office, Cabinet Secretariat etc. Line agencies cannot function without the help of staff agencies.

**Taylor's Scientific Management :** F.W. Taylor advocated a close collaboration and deliberate cooperation between the workmen and the management. His philosophy of management was based on four basic principles viz., the development of a true science of work, scientific selection of workers, the scientific education and development of workmen and establishing cooperation between the management and workers. Taylor's contribution to the development of scientific management was recorded in his papers; A Piece Rate System (1895), Shop Management (1903) and Art of Cutting Metals (1906).

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## 1.8 REFERENCES

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## 1.9 ANSWERS TO CHECK YOUR PROGRESS EXERCISES

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### Check Your Progress 1

- 1) Your answer should include the following points :
- personnel administration is that part of administration which is concerned with people at work
  - it deals with the relationship of people within an organisation

- it deals with all aspects of administration of personnel from recruitment to retirement
  - it involves personnel planning and forecasting
  - it relates to the functions of policy formulation, policy implementation, social change, modernisation, administrative reforms and public relations
  - it aims at optimum utilisation of human resources
  - it is also called 'personnel management', 'labour relations' 'manpower management' etc.
- 2) Your answer should include the following points:
- the changes in the socio-economic environment has its effect on personnel administration
  - it is also affected by political environment
  - there has been diversification in personnel functions
  - there has been proliferation of personnel activities
  - personnel are required to perform line and staff functions
  - personnel administration functions in both formal and informal organisations
  - the problems of personnel administration differ from one organisation to the other.

### Check Your Progress 2

- 1) Your answer should include the following points:
- Royal Commission on Labour, recommended the appointment of Labour Officers in 1931
  - the industrial disputes of 1920s forced the government and businessmen to think in terms of promotion of personnel administration
  - recognition of Trade Unions in India
  - appointment of Labour Officers with the Jute Mills
  - the Tripartite Labour Conference in 1941 gave a boost to establishment of cordial labour relations
  - the Factories Act of 1948 laid down the appointment, duties and qualifications of Welfare Officer in industries
  - emergence of Personnel Officer in various organisations.
- 2) Your answer should include the following points:
- personnel administration incorporates all aspects of management of persons in an organisation
  - personnel administration has to establish cordial relations among the employees
  - it concentrates on various aspects of management like recruitment, training, promotion, employees' welfare etc.
  - it has to constantly interact with the changing social, economic and political environment
  - framing of conduct rules and laying down procedures of disciplinary action are an important part of personnel administration
  - provision of a Joint Consultative Machinery, establishment of public service tribunals and retirement benefits are the responsibilities of personnel administration.