

# STUDENT GUIDE:

*Human*

# RESOURCE MANAGEMENT

*Volume 2*

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2024



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# Preface

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This book is designed to provide a frame of reference for diploma student in Polytechnic in business or related course. This book is alternative and useful for those who inspire to have a career as human resource officer and also to essential reading for students who need a preparatory knowledge and understanding in human resource. This book also provides information in Human Resource function including Introduction to Human Resource Management, Job Analysis and Human Resource Planning and Recruitment and Selection.

This book has been structured into three chapters first for the 1st volume, which cover the topic addressed by Human Resource Management course syllabus adapted by Malaysia Polytechnic. Student are guided to acquire the required skill in explain the function of human resource management in organization.

Finally, may this book be beneficial to students and others who directly or indirectly used this book as a reference. An also helping them achieve excellent result in final examination.



# Team Members

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# Acknowledgement

We wish to express our sincere gratitude, blessing, and guidance to the The Almighty Allah s.w.t for establishing us to complete this Student Guide : Human Resource Management Volume 2. Hopefully this book will be a valuable aid and reference to all Commerce Department student's throughout all polytechnics in Malaysia.

The writing of this eBook, are aimed in guiding the students to the theories of Human Resource Management. It is the wish of the writers, students as well as lecturers would find this eBook is useful in acquiring better overview of the human resources functions starting with introduction, job analysis and human resource planning and recruitment and selection. The arrangement of this eBook is in accordance with the current polytechnic's syllabus.

We also wish to express our appreciation to numerous parties who have enabled to the realization of this book directly and indirectly. There are a lot of moral support, guidance suggestions given to us during the publication of this book. The authors also would like to extend sincerest thanks to each and every individual who have contributed directly or indirectly neither in the writing nor publication process. We also would like to thank our family for understanding for their endless and tireless support as well as love.





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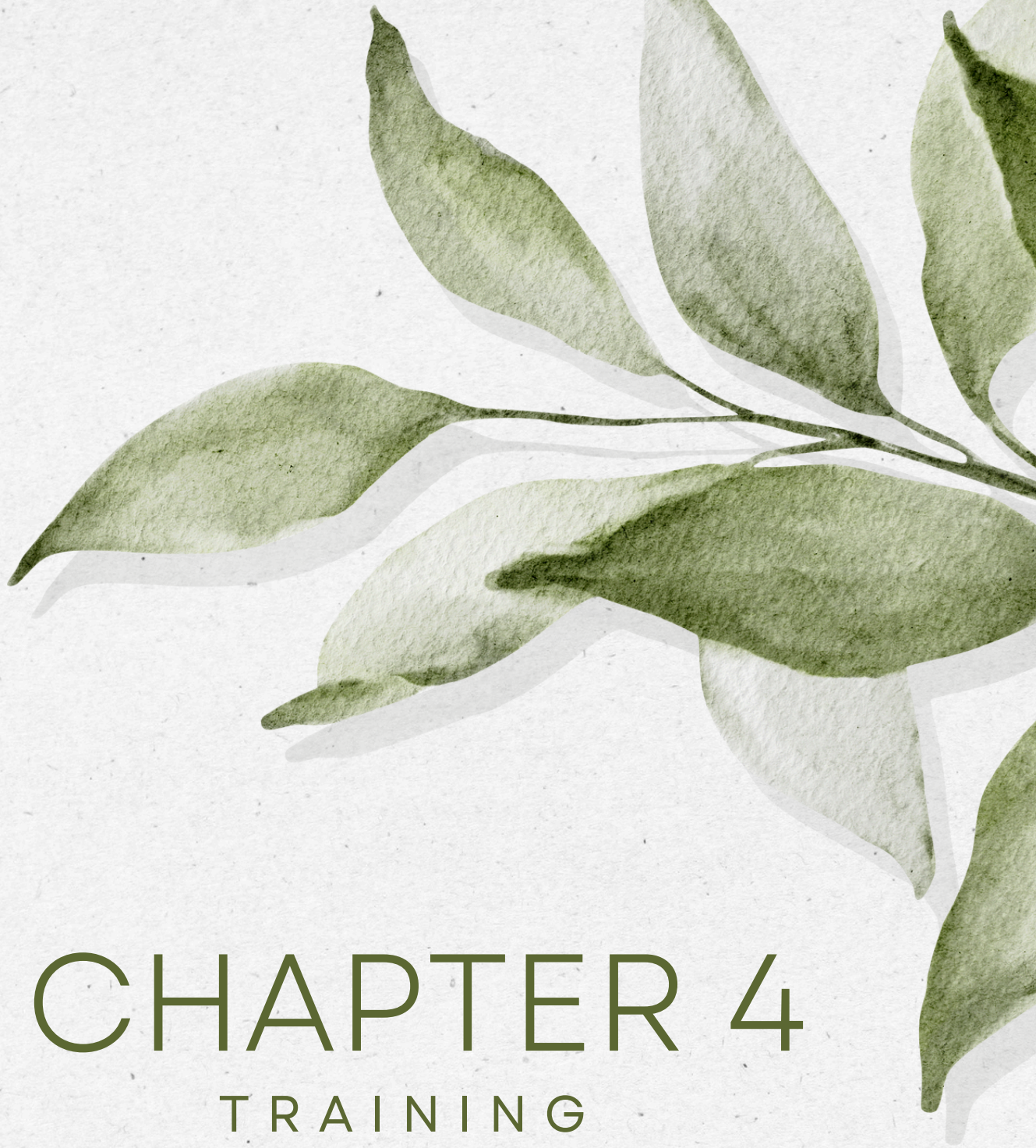
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# CHAPTER 4

## TRAINING AND DEVELOPMENT

HUMAN RESOURCE MANAGEMENT



## Chapter Outline:

- Concept of training and development
- Training needs analysis
- Employee orientation
- Types of orientation
- Training approach
- On the job training
- Off the job training

### **4.1 Concept of training and development in organization**

Training and Development in Human Resource Management is the process of acquiring knowledge, skills, and attitude that helps improve employees' job performance and enables future career growth.

Training refers to acquiring specific knowledge and skills for a particular job or task. It is usually a short-term activity concerned with improving an employee's current job performance. It includes formal training courses, on-the-job training, or coaching sessions.

Development is concerned with the long-term growth of an individual's career. It usually covers acquiring knowledge that goes beyond the requirements of their current job to prepare the employees for their future job role or career advancement opportunities.

#### 4.1.1 Define training

- Activities designed to provide learners with the knowledge and skills needed for their present job.
- It is a learning process which is planned and conducted by an organization to provide knowledge, skills and the required attitude to help employees execute their work and improve their current word performance.





#### 4.1.2 Compare between training, development and education

- **Training** is a learning experience designed to achieve a relatively permanent change in an individual that will improve the ability to perform on the job.
- **Development** is future-oriented training, focusing on the personal growth of the employee.
- **Education** is deliberate, systematic and sustained effort to transmit, evoke or acquire knowledge, attitudes, values, skill and sensibilities, and any learning that result from the effort intended or unintended.

#### 4.1.3 Benefits of training and development to the organization

##### a. Reduced Operation Cost

- Cost Trained personnel will be able to make better and economical use of materials and equipment.
- Wastage will be low and the rate of accidents and damage machinery and equipment will be kept to the minimum by the well-trained employee.

##### b. Greater Productivity

- A well-trained employee usually shows greater productivity and higher quality of work output than an untrained employee.
- Training increases the skills of the employees in the performance of a particular job.

##### c. Increase Job Satisfaction and Morale

- Employee training development also impact employee career growth as well.
- When employees sense that their employer is helping the improve their skills and knowledge base, they feel motivated, and this increases their job satisfaction and morale.



#### d. Reduced Operation Cost

- If the employees are given proper training, the responsibility of supervision is lessened.
- Training does not eliminate the need for supervision, but it reduces the need for detailed and constant supervision.

#### e. Creation of Inventory of Skills

- When totally new skills are required by an organisation, it has to face great difficulties in employment.
- It is better to select and train employees within the organisation rather than seek the skilled employees from outside sources.

### 4.1.4 The training needs analysis (TNA)

A training needs analysis (TNA), also known as a training needs assessment, is a process that organizations use to determine the gap between the current and desired knowledge, skills, and abilities of employees.

The information you gather during a training needs analysis helps you get a view of your company and determine which areas of learning and development you need to focus on in order to improve overall performance.

In other words, the process enables you to identify the knowledge, skills, and abilities your employees are currently lacking in relation to your goals as a company.





#### a. Organizational analysis

- Organization analysis is an examination of the environment, strategies, and resources the firm faces so as to determine what training it should emphasize should be placed.
- Economics and public policy issues influence corporate training needs as well.
- Other issues such as technological change, globalization, reengineering, and total quality management all influence the way work is done and types of skills needed to do it.

#### b. Individual analysis

- A person analysis involves determining which employees require training and equally important, which do not.
- Individual analysis focuses on assessing the current knowledge, skills, and performance of individual employees.
- This component involves gathering data through methods such as employee surveys, performance appraisals, and competency assessments to identify gaps between the required and existing skills of employees.

#### c. Task analysis

- The process of determining what the content of a training program should be on the basis of a study of the tasks and duties involved in the job.
- A task analysis often becomes detailed than a job analysis, but the overall purpose is to determine the exact content of the training program.
- Usually task analysis is conducted along with person analysis.



## 4.2 Employee orientation in organization

### 4.2.1 Define employee orientation

- Orientation is a systematic and planned introduction of employees to their jobs, their co-workers and the organization.
- Orientation or induction is the process by which the new recruit is familiarized with the working environment.

### 4.2.2 The purpose of orientation

#### a. Introduce the Organisation to Workers

- Process socialization carried out by an organisation to help new employees adapt to new environment and surroundings organisations as well as their new colleague.

#### b. Helping New Employees Overcome Problems of Worry, Anxiety and Shame

- Any employee, when put into a new, strange situation, will experience anxiety that can impede his or her ability to learn to do the job.
- Proper orientation helps to reduce anxiety that results from entering into an unknown situation, and helps provide guidelines for behaviour and conduct, so the employee does not have to experience the stress of guessing.

#### c. Increasing the Acceptance of New Workers Towards the Organisation.

- It helps in making new employees feel welcome and comfortable in their new environment, where they can feel that they belong.
- Usually, new employees will feel awkward and shy, leading to discomfort and feelings of isolation.





#### d. Increasing the Commitment of New Workers

- It is important to have a formal and consistent orientation programme for all new employees.
- An employee will feel more like a part of the team if there is interest demonstrated in their success from the beginning.

#### e. Reduce Employee's Turnover


- Employee turnover increases as employees feel they are not valued, or are put in positions where they cannot possibly do their jobs.
- Orientation shows that the organisation values the employee, and helps provide tools necessary for succeeding in the job.

#### f. Save Time for the Supervisor

- To save time for supervisors and co-workers, it is simply put, the better the initial orientation, the less likely supervisors and co-workers will have to spend time teaching the employee.

#### g. Providing Information on Tasks and Performance Expectation

- To develop realistic job expectations, positive attitudes and job satisfaction, it is important that employees learn early on what is expected of them, and what to expect from others, in addition to learning about the values and attitudes of the organisation.
- While people can learn from experience, they will make many mistakes that are unnecessary and potentially damaging.



### 4.2.3 Types of orientation

#### a. Formal orientation

A proper and planned orientation program is carried out before the new employee is onboard to acquaint him/her with the work environment.

##### i. Organizational level

- Inform employee about the organization's objectives, history, philosophy procedures and rules, human resources policies and benefits. Tour of organization's work facilities.

##### ii. Departmental level

- Familiarizes employee with goals of work unit, contribution to the unit's goals, introduction to co-workers.

#### b. Informal orientation

The new hire is directly onboard after a briefing on their work. They are left by themselves to acquaint with the work environment and the team.





## 4.3 Compare training approach and its common methods

### 4.3.1 Training approach and its common methods

#### a. On the job training approach

##### i. Coaching

- Coaching is planned one-to-one instruction. The coach sets a good example of what is to be done, answers questions, and generally offers counsel to the trainee.
- Coaching is a process that enables learning and development to occur and thus performance to improve. To be a successful coach required a knowledge and understanding of process as well as the variety of styles, skill and techniques that are appropriate to the context in which the coaching takes place.
- Coaching takes a work situation and turns it into a learning opportunity.

##### ii. Mentoring

- Mentoring is off-line help by one person to another in making significant transitions in knowledge, work or thinking.
- Mentoring starts in two ways – formally and informally.
- Mentor can 'show the ropes' to the protégé, many organizations have set up formal mentor programs, often as part of their affirmative action or orientation efforts.

##### iii. Job rotation

- An excellent way of learning by doing is job rotation. Trainees are required to observe and learn the demands of a variety of jobs and functions over a period of time.
- Job rotation (sometimes called cross-training) is a T&D method in which employees move from one to another to broaden their experience.



- Job rotation is often used by organization to relieve boredom, stimulates better performance, reduce absenteeism, and provide additional flexibility in job assignments.

#### iv. Apprenticeship

- An apprenticeship is a formal training programme which combines classroom lessons and practical, on-the-job experience.
- Apprenticeships are commonly used for highly-skilled trades such as automotive repair and maintenance.
- The training programme may be spread over a three-year period during which trainee, who is an employee, will be paid an allowance.
- At the end of the apprenticeship, the trainee may be awarded a national vocational certificate.

#### b. Off the job training approach

##### i. Lectures and conferences

- Every student is familiar with the lecture, usually a one-way monologue by a lecturer addressed to a group of learners.
- The lecture may be suited to the college environment largely because it is relatively easy to conduct and fairly cheap.
- It is not a method to be recommended in industrial training. Of course, a lecture can be supplemented with other methods to ensure learning takes place.



## ii. Simulation exercise

- Simulated is a method in which trainees learn on the actual or simulated equipment they will use on the job, but are actually trained off the job.
- It is a necessity when it is too costly or dangerous to train employees on the job. Putting new assembly-line workers right to work could slow production.
- It is most useful when a trainee needs hands-on experience or practice in the real workplace, but for various reasons, it is not practical for him or her to learn in the actual workplace.
- A simulation exercise may require expensive machinery and computers.

## iii. In-basket training

- Training that takes place away from the production area on equipment that closely resembles the actual equipment used on the job.
- Often used in training plant operatives, the vestibule is a separate part of the factory where trainees can develop skills on actual equipment, without the pressures of having to meet production schedules.
- Once competency has been achieved, trainees are transferred back to the main operation.
- The rationale of vestibule training is that practice and learning will be more effective in an environment created specifically for training.





#### iv. Vestibule training

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Exercise : Training and Development



# CHAPTER 5

## PERFORMANCE APPRAISAL

HUMAN RESOURCE MANAGEMENT





## Chapter Outline:

- Explain the concept of performance appraisal for employee
- Discuss the methods of performance appraisal
- Interpret the common errors in performance appraisal

Performance appraisal is a vital process in human resource management that allows organizations to evaluate and improve employee performance. By assessing individual contributions, organizations can make informed decisions about promotions, compensation, and development needs. In this chapter, we will explore the concept of performance appraisal, its purposes, methods, and the common challenges associated with conducting accurate and fair evaluations.





## **5.1 Explain the Concept of Performance Appraisal for Employees**

Performance appraisal is a structured process aimed at assessing an employee's job performance against organizational expectations. The appraisal process typically includes setting specific performance criteria, evaluating employees based on these standards, and providing constructive feedback to foster growth and productivity.

### **5.1.1 Define Performance Appraisal for Employees**

Performance appraisal is defined as a formal assessment of an employee's work performance over a set period. This evaluation provides insights into the employee's strengths and areas for improvement and serves as the foundation for future growth opportunities and organizational development.

### **5.1.2 Discuss the Purpose of Performance Appraisal**

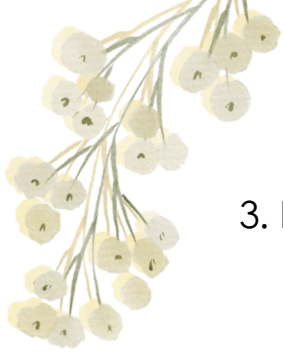
The purposes of performance appraisal can be divided into three primary categories: strategic, administrative, and developmental.

#### **1. Strategic Purpose**

- The strategic purpose of performance appraisal aligns individual and team objectives with organizational goals. Through systematic evaluation, management ensures that employees are contributing to the company's mission and long-term strategy, enhancing the overall effectiveness of the workforce.

#### **2. Administrative Purpose**

- Administratively, performance appraisal informs decisions regarding promotions, pay raises, transfers, and other HR functions. By basing these decisions on structured appraisals, organizations promote fairness and merit-based advancement, strengthening the morale of high-performing employees.



### 3. Development Purpose

- The developmental purpose focuses on enhancing employees' skill sets and competencies. Appraisals identify areas needing improvement, enabling managers to suggest relevant training or mentoring programs, thereby investing in employee growth and preparing them for greater responsibilities.

#### 5.1.3 Sources of Employees' Information in Performance Appraisal

Performance appraisals gather data from multiple sources to create a comprehensive picture of an employee's performance. These sources include:

##### 1. Immediate Supervisors/Managers

- Managers observe employees daily and are well-positioned to provide detailed evaluations of their work quality, reliability, and adherence to organizational standards.

##### 2. Peers/Team Members

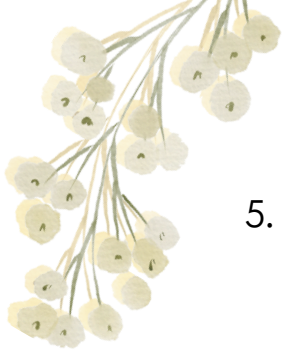
- Peers offer valuable insights into an employee's interpersonal skills, teamwork, and collaboration within the group, especially when the role heavily involves team-oriented tasks.

##### 3. Subordinates

- For employees in supervisory roles, feedback from subordinates reveals their leadership qualities, effectiveness in communication, and overall impact on team morale.

##### 4. Self-Evaluation

- Self-evaluation allows employees to reflect on their own performance, set personal goals, and identify their strengths and weaknesses. This helps in creating a balanced and self-aware assessment.



## 5. Customers

- Feedback from customers, especially for customer-facing roles, offers insight into how well employees are meeting client expectations, service standards, and company reputation.

### **5.2 The Methods of Performance Appraisal**

Performance appraisal methods vary widely and are chosen based on organizational needs, job requirements, and the nature of employee roles. Below are some common methods used in evaluating employee performance.

#### 5.2.1 Common Methods of Performance Appraisal

##### 1. Forced Distribution Method

- This method ranks employees into predefined performance categories, such as top, middle, and low performers, to ensure a balanced distribution. It's effective in distinguishing high and low performers but may cause dissatisfaction among employees who feel unfairly categorized.

##### 2. Graphic Rating Scale

- The graphic rating scale uses a numerical scale to evaluate employee attributes such as productivity, teamwork, and punctuality. Simple to implement, this method provides a quick, overall picture of employee performance.

##### 3. Critical Incidents Method

- Managers record specific examples of positive or negative employee behaviors. This method focuses on notable incidents, offering a qualitative view of performance rather than a continuous assessment.





#### 4. Behaviorally Anchored Rating Scale (BARS)

- BARS combines elements of quantitative and qualitative appraisal by defining specific behaviors for different performance levels, offering a detailed and objective assessment.

#### 5. 360-Degree Feedback Evaluation Method

- This method gathers feedback from multiple sources, including peers, subordinates, supervisors, and sometimes customers, to offer a well-rounded view of an employee's performance. It's particularly effective for roles requiring a high level of collaboration.

### **5.3 Interpret the Common Errors in Performance Appraisal**

Despite the structured nature of performance appraisals, common errors can influence the accuracy and fairness of evaluations. Understanding these errors helps managers conduct more objective and effective assessments.

#### 5.3.1 Explain the Common Errors in Performance Appraisal

##### 1. Recency Effect

- The recency effect occurs when an appraiser gives undue weight to recent performance, overlooking the employee's performance over the entire period. This can lead to biased evaluations if recent events skew the appraiser's perception.

##### 2. Central, Leniency, and Strictness Tendency

- These tendencies occur when appraisers consistently rate employees as average (central tendency), overly positive (leniency), or overly critical (strictness), regardless of actual performance, which can prevent accurate assessment.



### 3. Stereotyping, Prejudice, and Discrimination

- These biases involve forming an opinion based on personal beliefs or assumptions, rather than evaluating actual performance. This can lead to unfair appraisals that affect employee morale and could open the organization to legal risks.

### 4. Halo and Horns Effects

- The halo effect occurs when a positive attribute overshadows other areas of performance, while the horns effect happens when a negative trait unduly influences the entire evaluation. Both errors prevent a balanced and objective appraisal.

### 5. Similar-to-Me Error

- This error arises when appraisers rate employees more favorably if they share similar characteristics or interests, which can create an unfair advantage and hinder diversity and inclusion efforts within the organization.

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# CHAPTER 6

## COMPENSATION MANAGEMENT

HUMAN RESOURCE MANAGEMENT





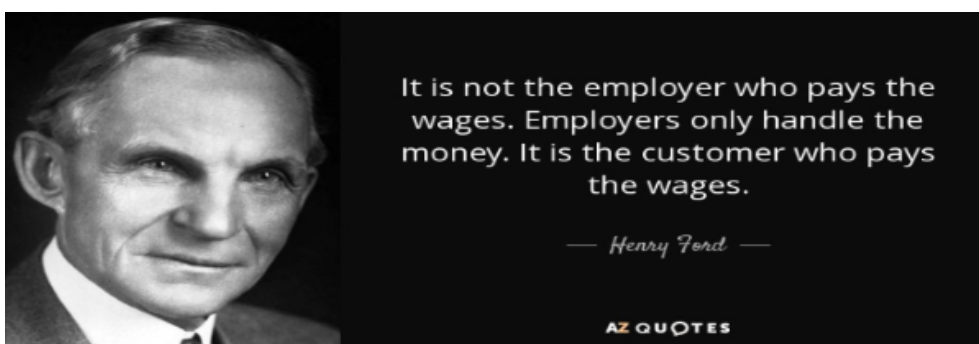
## Chapter Outline:

- Concept of compensation for employee
- Components of compensation
- Statutory benefit
- Non-statutory benefit
- Rewards in compensation
- Financial rewards
- Non-financial rewards

Remuneration is the total compensation that an employee receives in exchange for the service they perform for their employer. Typically, this consists of monetary rewards, also referred to as wage or salary. A number of complementary benefits, however, are increasingly popular remuneration mechanisms.

Wages are paid to the workers as a reward for their labour and service. Several systems of remuneration have been devised for meeting the requirements of both employees and employers. The efforts made by workers depend to a great extent upon the quantum of their remuneration.

Thus the wage system should be planned with great care. The system that reduces the labour cost per unit while increasing the output and giving a fair return to workers will be the most suitable one. In other words, the wage system should be such that increases efficiency and provides satisfaction to the workers. The aim of the wage system should be the introduction of a fair wage. The fair wage is a wage equal to that received by employees performing equal work and having equal skill.





## **6.1 Concept of Compensation**

Compensation can be understood as total amount of the monetary and non-monetary reimbursement provided to an individual in return for labour.

## **6.2 Component of Compensation**

### **1. Financial compensation**

Refers to the act of providing a person with money or other things of economic value in exchange for their goods, labor, or to provide for the costs of injuries that they have incurred.

- **Direct financial compensation**

Direct financial compensation is most widely known and recognized form of compensation. Most sought after by workers, direct compensation is the money which is paid directly to employees in exchange for their labour. This includes everything from hourly wages, to set salaries, bonuses, tips and commissions.

- **Indirect financial compensation**

Indirect financial compensation includes all monies paid out to an employee that are not included in direct compensation. This form of compensation is often understood as the portion of an employee's contract that covers items such as temporary leaves of absence, benefits and retirement plans.



## 2. Non-financial compensation

Non-financial compensation differs from direct and indirect pay as it has no monetary value. Non-financial incentives are the types of rewards that are not a part of an employee's pay.

- The job

Job refers to the situation or condition under which an employee performs a particular job.

Example:- company can provide a flexible working schedule for production worker who is pregnant.

- Job environment

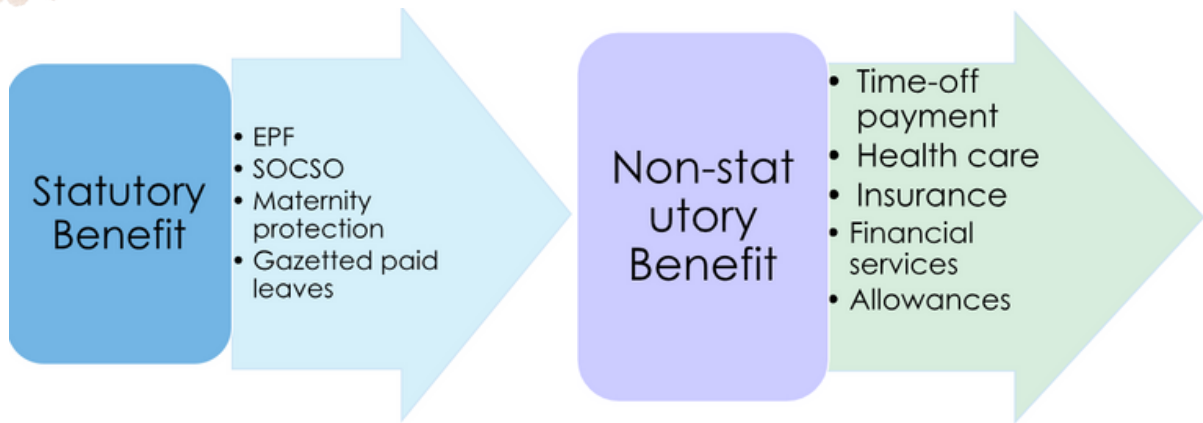
A work environment refers to the elements that comprise the setting in which employees work and impact workers.

Examples:- company can provide on-site gyms for employees to relieve stress and remain physically fit.

## 6.3 Component of Compensation

Statutory Benefit	Non Statutory Benefit
<ul style="list-style-type: none"><li>• Set by labour system</li><li>• Minimum allotment to employee on employee right</li><li>• Provided by employers required to the laws</li></ul>	<ul style="list-style-type: none"><li>• Voluntarily by employers</li><li>• Without force</li><li>• Purpose to attract new talent and potential outside organization</li><li>• To increase employees satisfaction and motivate</li></ul>





### 6.3.1 Statutory Benefit

Statutory benefit is a benefit set by the labour system. It is the most minimum allotment on employee right and has to be provided by employers required to the laws.

#### 1. Employee Provident Fund Act 1991 - (EPF)

- Commonly known by the acronym EPF (in Malay: Kumpulan Wang Simpanan Pekerja, KWSP) is a government agency under the Ministry of Finance. It manages the compulsory savings plan and retirement planning for workers in Malaysia.
- Membership of the EPF is mandatory for Malaysian citizens employed in the private sector, non-pensionable public sector and voluntary for non-Malaysian citizens.
- A contribution constitutes the amount of money credited to members individuals accounts in the EPF.
- An Act to provide for the law relating to a scheme of savings for employees' retirement and the management of the savings for the retirement purposes and for matters incidental thereto - Employees Provident Fund Act 1991



- The Malaysian EPF was established in 1951 pursuant to the Employees Provident Fund Ordinance 1951, under the National Director of Posts. This law became the EPF Act 1951 in 1982, then the EPF Act 1991 in 1991. The EPF Act 1991 requires employees and their employers to contribute towards their retirement savings, and allows workers to withdraw these savings at retirement or for special purposes
- The amount is calculated based on the monthly wages received. For employees who receive wages of RM5000 and below, the portion of employee's contribution is 11% of their monthly salary while the employer contributes 13%.
- If employees receive wages exceeding RM5000, the employee's contribution of 11% remains, while the employer's contribution is 12%.

## 2. Employee Social Security Act 1969 – (SOCSSO)

- Social Security Organisation (SOCSSO) was formed under the Employees' Social Security Act 1969 as a government department of the Ministry of Labour and Manpower on 1 January 1971.
- In Malay Pertubuhan Keselamatan Sosial – PERKESO.
- The Social Security Scheme was first introduced in the country in 1958, soon after Malaysia gained its independence. At the same time, the International Labour Organisation (ILO) was conducting a study on social security. In 1962, a high-level committee was formed to review the study results. The study by A.N. Ambo through the ILO provided the basis for the drafting of the Employees Social Security Bill, which was subsequently passed by the Parliament of Malaysia in April 1969 and named the Employees' Social Security Act 1969.



- It is entrusted with the administration of two social security scheme, namely the Employment Injury Scheme and the Invalidity Scheme.
- The Employment Injury Scheme provides protection for employees against contingencies, including occupational disease and accidents that occur while travelling in the course of employment.
- The Invalidity Scheme, on the other hand, provides 24 hours coverage against invalidity or death due to any cause.
- The objective of both schemes is to guarantee cash payment and benefits in kinds to employees and their dependents in the event of a contingency.
- The other objective is to ensure payments are made to workers and dependent when an unexpected incident occurs.

### 3. Employment Act 1955

#### i. Maternity protection

- The leave will be paid if you have worked for your employer for at least 90 days in the four months before starting maternity leave. Under the 1955 Employment Act, you are then entitled to at least 60 consecutive days of maternity leave at full pay and has no more than five surviving children.



## ii. Gazetted paid leaves

Employee entitle to paid on leave below.

<b>Rest day</b>	<ol style="list-style-type: none"><li>1. Section 59 of the Employment Act 1955 stipulates that all employees are entitled to one rest day per week.</li><li>2. An employee may not be required to work on his rest day, except in circumstances stated in the law. When an employee works on a rest day, he will be entitled to premium rates of pay.</li></ol>
<b>Public holiday</b>	<ol style="list-style-type: none"><li>1. All employees covered by the Employment Act 1995 (Sec 60) are entitled to 10 paid public holidays in a year.</li><li>2. The <b>five</b> (compulsory) gazetted public holidays are<ul style="list-style-type: none"><li>• <i>National Day</i></li><li>• <i>Hari Keputeraan Yang Di-Pertuan Agong</i></li><li>• <i>Hari Keputeraan Raja-Raja or Yang Di-Pertua Negeri,</i></li><li>• <i>Labour Day</i></li><li>• <i>Malaysia Day</i> -The other five holidays chosen by employer.</li></ul></li><li>3. Employers may sometimes require an employee to work on a public holiday. If so, the employee should be paid an extra day's salary at the basic rate of pay for working on the public holiday. The gross rate of pay for that holiday.</li></ol>
<b>Annual leave</b>	<ol style="list-style-type: none"><li>1. To safeguard workers' health, they are not only entitled to a weekly rest day but also to annual leave during which time they can recuperate and reenergized themselves.</li><li>2. An employee earns the right to apply for annual leave after he or she has completed one year of service with an organization.</li><li>3. Employees are entitled to annual leave based on year of service according to:<ul style="list-style-type: none"><li>• <i>Service less than 2 years</i> – 8 days leave per year</li><li>• <i>Two to five years' service</i> – 12 days leave per year</li><li>• <i>More than five years' service</i> - 16 days leave per year</li></ul></li></ol>
<b>Sick leave</b>	<ol style="list-style-type: none"><li>1. Employees are entitled to paid sick leave, where no hospitalization is necessary, for<ul style="list-style-type: none"><li>• <i>less than two-year service</i> - 14 days per year</li><li>• <i>two- and five-year service</i> - 18 days per year</li><li>• <i>more than five-year service</i> - 22 days per year</li></ul></li><li>2. When an employee needs to be hospitalized, he can take up to 60 days sick leave per year.</li></ol>

Exercise: Benefits Provided to Employee







### 6.3.2 Non-Statutory Benefit

Non-statutory benefit are benefit offered by employers voluntarily and without force. Usually this benefit is offered for the purpose of attracting new workers with potential and talent from outside the organization as well as to increase employees' satisfaction and motivate them.

#### 1. Time-off payments

- Apart from the sick leave, maternity leave and annual leave guaranteed under the EA 1955 and The Sabah and Sarawak Labour Ordinances, many companies offer other types of leave, especially to unionized workers and management.
- These include leave for the purpose of like marriage, birth of a child (paternity leave), personal emergencies, studies and death.

#### 2. Health care

- Health care is increasingly becoming a valuable benefit to employees in tandem with the rising cost of medical care.
- Health care may be extended to an employee's dependents and may include payment of dental and optical bills.
- Some employers with large numbers of employees find it beneficial to employ a company nurse and to have a doctor called into the plant on a regular basis so as to avoid employees wasting time while waiting for medical attention

#### 3. Insurance

- Employers commonly buy life and accident insurance group policies, which are usually combined with medical benefits, to protect their employees.
- This benefit is most likely to be offered to executive and managerial level staff.



#### 4. Financial services

- Loans to buy houses, cars and other items such as computers may be given to employees, usually with interest rates lower than those charged by the banks.
- Alternatively, workers may have the interest rates on their bank loans subsidized by the employer.
- Some large companies negotiate with financial institutions to offer personal loans to their employees at competitive rates.

#### 5. Allowances

- A form of supplementary income to compensate employees for performance of additional duties, possession of additional skills/equipment or endurance of certain work condition
- Once this conditions cease to exist, the allowance can be ceased to be paid as well
- Wages may be supplemented by a number off allowances including :
  - a. Travel/ transport allowances
  - b. Meal allowances
  - c. Housing allowances
  - d. Uniform allowances
  - e. Shift allowances
  - f. Entertainment allowances



### 6.4.1 Financial Rewards

#### 1. Salary increment

- Manager will give salary increase to employees who show a good performance
- Given percentage increase in salary depending on the level of employee performance
- To motivate an employee to continue to work well or to work harder.

#### 2. Bonus

- A bonus is a lump sum of money awarded for outstanding performance in any activity which the organization wants to encourage.
- A number of companies pay contractual bonuses of one or more month's salary to all employee at the end of the year
- To motivate employees to be as productive and competitive

#### 3. Profit Sharing

- A profit sharing scheme for employees whereby a predetermined percentage of the organizational profit is set aside to be paid out as bonus either annually or on a deferred plan.
- The worker will only received his share of the bonus fund when he retires.
- This scheme is an effective way to cultivate feelings of loyalty to organization.



#### 4. Shares

- It like profit-sharing - Profit-sharing plans are plans in which all or most employees receive a share of the firm's annual profits. Research on such plans' effectiveness is sketchy.
- Share plans enhance employees' commitment to the organization.
- Two types of shares:
  - a. Current profit-sharing or cash plans – employees share in a portion of the employer's profits quarterly or annually
  - b. Deferred profit-sharing plans – employer puts cash awards into trust accounts for the employees' retirement.

#### 5. Commissions

- Traditionally, salesperson have reward systems which are different to that provided for other employees in the same organization.
- Their reward systems are usually based on commission system.





## 6.4.2 Non Financial Rewards

### 1. Performance awards

- The performance award for employees recognizes outstanding work on a project by one or more employees, which goes beyond normal expectations of excellent job performance or
- Given to employees who show high performance.
- Given in the form of a certificate, a cash prize or valued as gold.
- Names and photos of award recipients can be display in the company's internal magazine.

### 2. Letters of appreciation

- Compliment or Praise an Employee's Work Performance may be rewarded with a letter of appreciation.
- Praise, whether given in writing, orally in public or privately, is a potent source of employees' satisfaction.
- The way of praise is given should relate to the quality of the performance that is being praised.
- Exceptionally good work may be rewarded with a letter of appreciation, preferably signed by at least a Head of Department or higher ranking manager

### 3. Sponsorship to seminars, conference and overseas tours

- It can be beneficial to both the employee and employer of high achievers are sent to attend seminars, conferences, and possibly on an oversea tour to visit are parent company, supplier or customer
- The employee benefits by the paid 'holiday' and he may bring back new ideas of use to the company or he may make contacts that may later be of use.



#### 4. Rewards for long services

- This reward is a valuable component of an organization's overall employee recognition effort.
- It is an opportunity for an organization to recognize an employee for his or her longevity or tenure with the organization.
- Employers value loyalty and recognizes long services with some token of appreciation such as a trip overseas and a special dinner event
- Rewards actually encourage loyalty.

Exercise : Rewards in Employee Compensation





# CHAPTER 7

## INDUSTRIAL RELATION

HUMAN RESOURCE MANAGEMENT



## Chapter Outline:

- Concept of industrial relation in Malaysia
- Trade union
- Collective bargaining
- Industrial action
- Industrial dispute

“Industrial relationship is about the relationship between an employee and management. This page carries information about industrial relations and its concept through definition and description of industrial relation.”

Industrial relations has become one of the most delicate and complex problems of modern industrial society. Industrial progress is impossible without cooperation of labours and harmonious relationships. Therefore, it is in the interest of all to create and maintain good relations between employees (labour) and employers (management).

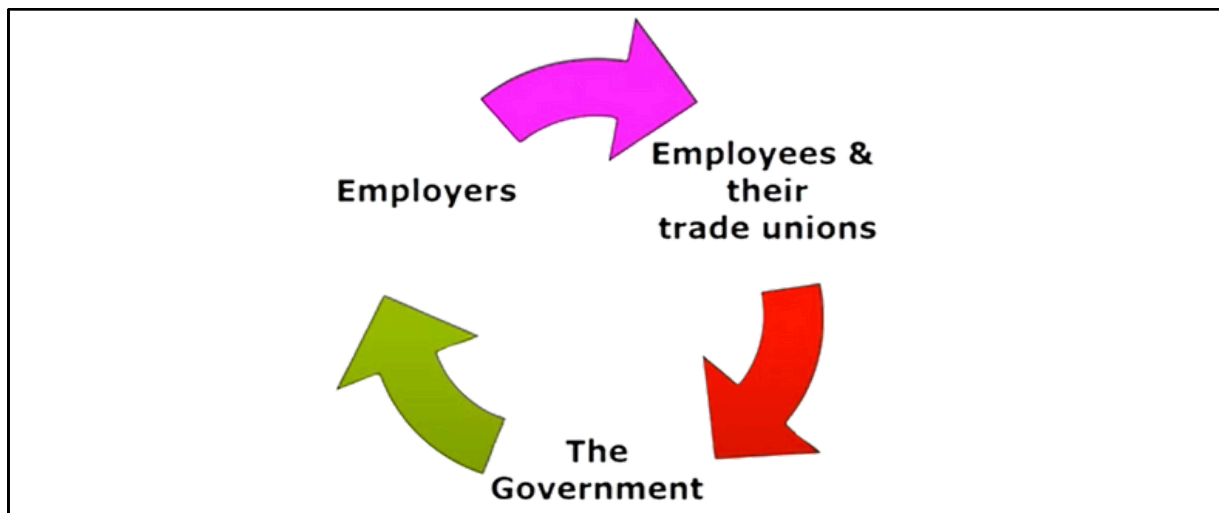
Industrial relations involve attempts at arriving at solutions between the conflicting objectives and values; between the profit motive and social gain; between discipline and freedom, between authority and industrial democracy; between bargaining and co-operation ; and between conflicting interests of the individual, the group and the community.





## 7.1 Concept Of Industrial Relation And Tripartite System

- Referring to the relationship that exist between employees and trade union that represented where it is more touching aspects of employee participation through a process of collective bargaining.
- Industrial relations encompasses a set of phenomena, both inside and outside the workplace, concerned with determining and regulating the employment relationship.
- Industrial relation is defined - relation of individual or group of employee and employer for engaging themselves in a way to maximize the productive activities.
- Is recognised as a tripartite system and is made up of 3 groups and Ministry of Human Resources act as a president. His role is to oversee the overall development of discussion.



- Includes
  - Employers and their organizations.
  - Employees and their unions.
  - Government.



- Machinery for discussion in tripartite system.
  - National Labor Advisory Council (NLAC) which is made up of 14 representatives from
  - Employees, 14 from employers and 12 from government.
  - Minister of Human Resources will chair the NLAC meetings and appoints the government
  - Other representatives are appointed after consultation from Malaysian Employer's Federation (MEF), Malaysian Trade Union Congress (MTUC) and Congress of Unions of Employees in Public and Civil Service (CUEPACS).
  - Meeting is held twice a year or when there is urgency (eg: to approve amendments to the law)

## **Roles of Ministry of Human Resources in industrial relation**

### **1. Machinery for discussion in tripartite system.**

- Administrator-through the Ministry of Human Resources
  - To protect the welfare of employees-safety, health and rights
  - Promote good employer-employee relationship through a stable and peaceful industrial relations system
  - To equip the unemployed with basic industrial skills and to improve the skill level of the workforce
  - To assist in maximizing country's manpower resources through manpower planning
- Participant-by being the largest employer in the country
  - Employee in the public, private and government sectors
- Government's overall goal in the area of industrial relations is to encourage harmonious relationships between employers and employees in the interest of the nation's productivity.



## 7.2 Concept of Trade Union in Organization

### 7.2.1 Definition of trade union

- Section 2 of Trade Unions Act Any association or combination of workmen or employers, being workmen whose place of work is in West Malaysia, Sabah or Sarawak as the case may be, or employers employing workmen in West Malaysia, Sabah or Sarawak.
- Who are members?
  - within any particular establishment, trade, occupation or industry or within similar trades, occupations or industries;
  - whether temporary or permanent, and
  - having among its objectives one or more of the following:
    - regulation of relations between workmen and employers for the purpose of promoting good industrial relations between workmen and employers, improving working conditions or enhancing their economic and social status or increasing productivity,
    - regulation of relations between workmen and workmen or between employers and employers.
    - representation of either workmen or employers in trade disputes.
    - conducting of, or dealing with, trade disputes and matters relating there to
    - promotion or organization or financing of strikes or lockouts in any trade or industry or the provision of pay or other benefits for its members during strike or lockout



## 7.2.2 Types of Trade Union

Trade unions in Malaysia today may be classified into three group.

### 1. Public Sector Trade Union

- Primarily represent the interest of employees within public sectors, the statutory bodies, local authorities or governmental organisations.
- In 2003, there were 211 unions in this sector and include the National Union of the Teaching Profession and the Malayan Nurses Union.
- Trade Union Act provides that employees in the public sector can only form and join unions whose members are in the same ministry, department or occupation.
- This is to ensure that discussions are possible with the employer on a logical basis.
- Wages and other terms of services are discussed at the national level between the government and CUEPACS.
- Examples :-
  - Congress of Union of Employees in the Civil Service and Government Department (CUEPACS)

### 2. Private Sector Trade Union

#### i. National of Trade Union

- Workers from different companies in the same industry/ trade/occupation
- Most of the major industries have a national union
- Examples :-
  - The National Union of the Teaching Profession (NUTP)
  - The National Union of Bank Employees (NUBE)
  - The Transport Workers Union (TWU)
- This is to ensure that discussions are possible with the employer on a logical basis.





## ii. In- house Trade Union

- Formed by workers in a company whereby membership is confined to employees
- Workers of statutory bodies and local authorities are limited by law to forming this type of union
- Example:-
  - Northport (M) Bhd Employees Union
  - Keretapi Tanah Melayu Bhd Employees Union
  - Telekom Berhad Employee Union
  - Tenaga Nasional Employee Union etc.
- Advantages of in-house union:
  - They are more appreciative of the situation in their workplace and problems of employer and are less influenced by outsiders. Close relationship between employer and union will lead to a more peaceful industrial relations.
  - Cooperative spirit developed will lead to higher productivity.
- Disadvantages of in-house union:
  - Generally weak because membership is limited and confined to workers in one particular company.
  - Leaders are chosen from a small number of members and this give rise to the possibility of exploitation by employer.
  - Union financial strength limit its union activities.
  - Fear of victimization by employer among leaders (managerial prerogatives).



### 3. Employer Trade Union

- Employers' Association- Employers have equal right to form unions, which are mostly known as associations.
- Employers' union is a response to the large and powerful national trade unions of employees. Their main objectives:
  - To promote and protect the interests of their members.
  - To negotiate and deal with trade union of employees.
  - To represent their members in any dispute between individual members and the employee's union.
- The most active are:
  - Malaysian Agricultural Producers' Association (MAPA).
  - Commercial Employer's Association of Peninsular Malaysia Commercial Industry.
  - Malayan Commercial Bank's Association (MCBA) – Banking Industry.
  - Association of Insurance Employers (AIE) –Insurance Industry.



### 7.2.3 Trade Union Membership

#### 1. Criteria to Join the Union

- All worker over the age of 16 years working in the private sector may apply to join the union which represents workers in their company occupation or industry.
- Worker below 21 years of age have restricted rights. They may join in any vote relating to the decision to go on strike.
- Worker in public sector who are classified as managerial or professional level may only join a trade union with permissions from the Chief Secretary to the Government.
- Take part in a formation of an employers' organisation.
- Employees in public and private sectors cannot join the same union.
- Employees in statutory bodies can only join in-house unions.
- Employees may only join a union covering workers in Peninsular Malaysia, Sabah or Sarawak (depending on where the employee is working). Combinations are not permitted.
  - All trade unions must registered with Department of Trade Union before they can begin any activities.
  - However members aged 16 – 21 years have limited freedom to participate in trade union activities.

#### 2. Right to form and join a union

Under section 5 of Industrial Relation Act 1967, employers cannot:

- Put a condition in a contract of employment preventing an employee joining a trade union.
- Refuse to employ a person on the grounds that he is a member of a union.
- Discriminate against a worker on the grounds that he is a member of a union.



- Threaten to dismiss if he proposes to join a union or if he participates in trade union activities.
- Under section 7 of IRA, employees also have the right not to join a trade union. Employees may not be forced to join a union.

#### 7.2.4 Persons Prohibited Becoming A Members

- Section 26, Section 27, Section 27(a) of Trade Union Act 1959
  - Under this Act, the following classes of persons are prohibited from being members of a union:
    - a. Any person below the age of 16 years,
    - b. Any student of an educational institution established by or under any written law, unless he is also employed as an employee and is over the age of 18 years,
    - c. Any person employed in the establishment or industry or trade or occupation in respect of which the union is registered, and
    - d. Any public officer, unless exempted by Yang Di Pertuan Agong.
  - However, certain group of government employees is not allowed to join trade union at all:
    - a. members of the armed forces, police force and any prison service,
    - b. public officers prohibited under any law from forming or joining a union,
    - c. public officers employed in a confidential or security capacity,
    - d. public officers holding any post in the Management and Professional Group.





### 7.2.5 Reasons Why Workers Join Trade Union



- Opportunity to become a leader
  - Talented employees with leadership skill can show their abilities to be a good trade unions leader.
  - It is a union that provides them a powerful collective voice to communicate their dissatisfaction and frustration.
- Job security
  - Employee need to have a sense of job security and want to be sure that management will not make unfair and arbitrary decisions about their employment.
- Social networking medium
  - Unions give workers and opportunity to meet, chat and exchange informative ideas with one another.
- Wage & benefits
  - The employees may think that the union, with its strength, will ensure fair wages with those of other workers in community, benefits such as medical facility, pensions, vacations and holiday for them.



- Powerlessness
  - Employees individually often feel voiceless or powerless to bring about change that will benefit them. But join trade union give them a powerful voice to communicate with management their dissatisfaction.
- Recognition
  - Some employees found that union offer them an opportunity to gain recognition not available in work environment.



## 7.3 Industrial Action in Organization

Trade dispute is defined under the Industrial Relations Act 1967 as a dispute between the employer and his workmen on issues relating to employment, non-employment, terms of employment or conditions of work.

The employer or trade union which is a party to the trade dispute may submit a complaint to this department for purposes of seeking a resolution.

### 7.3.1 Definition of Industrial Action

Industrial action is the refusal by employees to perform work or the performance of work in a manner that is intended to reduce productivity in a workplace.

Industrial action refers collectively to any measure taken by trade unions or other organised labour meant to reduce productivity in a workplace. Quite often it is used and interpreted as a euphemism for strike or mass strike, but the scope is much wider. Industrial action may take place in the context of a labour dispute or may be meant to effect political or social change.

### 7.3.2 Method of Industrial Action





## 1. Picket

- Picket allows employees to accumulate near or at workplace when these disputes with a view to present information to the public security and other workers.
- Usually occurs non-working hours or after office hours.
- It is conducted in a peaceful and does not disrupt the operation of production organization.
- Employers should not underestimate this picket problem because if it is left will leave a negative impact on the organization.
- What is frightening and disturbing, picketing can lead to a strike.
- However, a picket is legal providing:
  - The workers involved are members of a trade union. A trade dispute between the employees and their employer exists.
  - It is held at or near the employees' workplace.
  - It does not obstruct the entrances or exits to the workplace.

## 2. Strikes

- Strike is an act committed by a group of workers who unite to discontinue employment.
- Strikes occurs during working hours and it would have direct negative impact on the operations of the organizations.
- If a strike occurs, the operation delayed and it will affect the image of the organization
- However, a strike is legal providing:
  - The strikers are members of a trade union.
  - The strikers have a trade dispute with their employer.
  - A secret ballot is held prior to starting the strike.
  - Two-thirds of the workers agree to strike.
  - The ballot papers must be sent to the Department of Trade Unions for verification.





- A strike will be illegal in the following situations:
  - Over an issue relating to the question of recognition of a union
  - Relating to matters in a collective agreement which has been taken cognizance of by the Industrial Court
  - Relating to the managerial prerogatives of recruitment, transfer, promotion, termination of a worker and the allocation of duties to a worker.
  - After a trade dispute has been referred to the Industrial Court for arbitration.

### 3. Lock-out

- Workers are not the only party who resort to industrial action
- Employers must know the weapon of locking out their workers to force them to accept the employer's demand
- Through this, employers will not allow employees to work until the dispute between them is solved.
- This includes actions such as closing the work place until they agree to the work conditions imposed.
- The legal requirement similar to strike
- Strike activity - to settle inefficient way between employers and employees
- The damage done to the company's financial situation can backfire on the workers



## 7.4 Industrial Dispute

Industrial disputes are generally considered detrimental to both employers and employees. The disputes can incite workers to strike or otherwise cease working until the demanded conditions are met. Workers may also picket outside the business in an attempt to encourage customers from supporting the business. Such activity puts a strain on the business and prevents both the workers and employers from making money.

### 7.4.1 Definition of Industrial Dispute

An industrial dispute is a conflict between an employer and its employees. Such disputes can occur for any reason and may result in strikes, picketing and other forms of protest.

### 7.4.2 Method to Solve Industrial Dispute

#### 1. Direct negotiation

- Negotiation between the trade union and the employer is conducted according to the procedures stipulated in the company procedures/policies or collective agreement.
- Only the trade union and employers will be involved in the process of solving arguments without involvement of an outsider.
- Usually they will sit together in calm and respectful manner
- The Director General of Trade Union (DGTU) cannot force both sides to make peace if the direct negotiations is failure



## 2. Conciliation

- When the process of solving arguments through direct negotiation is a failure, employers and trade union can report the matter to DGTU
- The DGTU will suggest them to hold a meeting of peace to solve the arguments.
- It is a process whereby Industrial Relation Department (IR Department) will help to solve the arguments between both sides.

## 3. Mediation

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

## 4. Arbitration

- This method is used after the previous three methods have been failure.
- Similar to method of using mediation, arbitration method also use the third party which is Industrial Court.
- If the Minister referred the trade dispute to the Industrial Court, the Court will decide upon the issue of the trade dispute referred.
- The decision of the Industrial Court is binding on all the parties involved.

Exercise : Industrial action & Industrial dispute





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