

Managing Human Resource

B. Com 4th Semester
Unit – 4

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Module 17: Promotions, Transfers and Separations
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1. Learning Outcome

After completing this module the students will be able to:

Understand the meaning of Promotion, demotion, transfer and separations.

Know the advantages and disadvantages of promotion, demotion and transfer. Know the policy and bases of promotion.

Understand the meaning of quits, layoffs, discharges, retirements, retrenchments, VRS and Resignation.

2. Introduction

Internal mobility is the process of movement of employees which takes place between the jobs in sections, departments or divisions of the organization. Internal Mobility is necessary to match the employee's skill and requirements with the requirements of the job and those of the organization continuously. The objectives of internal mobility are:

to improve organizational effectiveness

to eliminate structural defects and unwanted positions

to improve employee effectiveness by putting his knowledge, skills and abilities to better use to adjust to changing business operations

to ensure discipline

to correct wrong placements and job assignments

Internal mobility can take any or more of the form of promotion, demotion, transfer



3. Promotion

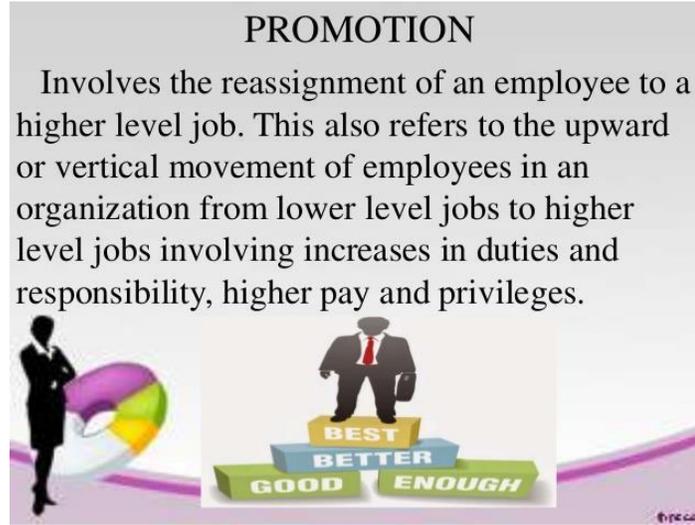
Promotion is an upward movement of employee in the organization to another job, higher in organisation's hierarchy. In the new job, the employee finds a change in salary, status, responsibility and grade of job or designation. As a whole, the organization perceives the staffing of vacancy worth more than the employee's present position. In contrast to promotion when the salary of an employee is increased without a corresponding change in the job-grade, it is known as 'upgrading'. But when promotion does not result in change in pay, it is called 'dry promotion'. Promotion is a method of internal mobility.



Principles of Promotion

Promotion is a double edged weapon. If handled carefully, it contributes to employee satisfaction and motivation. If mishandled, it leads to discontentment and frustration among the employees. It is the

responsibility of the HR manager to lay down a sound promotional policy and ensure its



implementation.

3.2. Policy of promotion

The HRM must make it clear whether to fill up higher positions by internal promotions or recruit people from outside. Generally speaking top positions in an organisation are filled through external recruitment. The lower positions are filled by promotions from within.

When it has been decided to fill up higher positions with promotions, a further decision on determining the basis of promotion should be made by HRM. The basis of promotion may be seniority or merit or both.

One most important point regarding the policy of promotion is whether to promote employees against vacancies or non-vacancies. In many organizations promotions are done on a non-vacancy basis after they complete a minimum period of service. Such promotions are time bound and not based on vacancies or merit. The other practice is to link promotions to vacancies. Sometimes these vacancies are created to avoid frustration among the aspirants for promotion.

A promotion should be preceded by a job analysis and performance appraisal. A job analysis is important to know what the job demands from the employee and performance appraisal will enable the management to know whether the employee in question can match the requirements of the job.

The promotion policy should be discussed with the labour unions and their acceptance must be obtained in the form of an agreement.

When promotions are made on the basis of competence, openings for promotion should be displayed at several places to enable interested people to apply.

3.3. Bases of promotion

Organisations adopt different bases of promotion depending on their nature, size, managerial policy etc. The well established bases of promotion are seniority and merit.

3.3.1. Seniority based promotion

If seniority is the bases for promotion, an employee with the longest period of service will get promoted, irrespective of whether he is competent or not.



Advantages

It is easy to administer.

It is easy to measure the length of service and judge the seniority.

With the base of seniority there is no scope for favoritism, discrimination and subjective judgement.

By seniority everyone is sure of getting promotion one day.

Subordinates are more willing to work under an older boss who has given many years of service to the company.



Disadvantages

The learning capabilities of senior (older) employees may diminish.

It de-motivates the younger and more competent employees and it results in more employee turnover.

The organisation is deprived of external talent which is very necessary due to technological advancements and multi-culture organisation.

Judging the seniority is highly difficult as the problems like job seniority, company seniority, regional seniority, service in different organizations, trainee experience, research experience etc., will crop up.

3.3.2. Merit or competence based promotion

Merit based promotion occur when an employee is promoted because of superior performance in the current job. Merit means an individual's knowledge, skills, abilities as measured from his educational qualifications, experience, training, and past employment record.



Advantages

Promotion by merit is a reward to encourage those employees who make a successful effort to increase their knowledge or skill and who maintain a high level of productivity.

It helps the employer to focus on talented employees recognize their talent and reward their contributions.

Efficiency is encouraged, recognized and rewarded.

Competent people are retained as better prospects are open to them.

It inspires other employees to improve their standards of performance through active participation in all activities and putting in more efforts.



Disadvantages

It is not easy to measure merit. Personal prejudices, biases, and union pressures may come in the way of promoting the best performer.

When young employees get ahead of senior employees in the organization this creates frustration among senior employees .They feel insecure and may also quit the organization.

The past performance may not guarantee future success of an employee.
Loyalty and length of service is not properly rewarded

3.4. Advantages of Promotion Plan

It provides an opportunity to the present employees to move into jobs that provide greater personal satisfaction and prestige.

It offers opportunities to management to provide recognition and incentives to the better employees, to correct initial mistakes in appointments and to 'freeze' inefficient personnel.

It generates within an organization beneficial pressures on work performance and desired behaviour of all its members.

It serves as an orderly, logical and prompt source of recruitment for management to fill vacancies as they arise.

Promotion fulfils the long cherished desires in the lives of employees.

3.5. Disadvantages of Promotion Plan

Promotion promotes "inbreeding" in which the company will not have new blood and new thinking. Old habits and ideas are perpetuated.

The system becomes stagnant, repetitious and very conventional.

The newer employees are introduced at places where they are having little influence.

4. Demotion

Demotion is the reverse of promotion. It is the downward movement of an employee in hierarchy with lower status, salary and decreased responsibilities. It is generally used as a punitive measure for incompetence or a preliminary step to dismissal. It is a downgrading process where the employees suffer considerable emotional and financial loss.

Causes for demotion

The employee may be unable to meet the challenges posed by a new job. He may have low administrative skills.

Due to poor business conditions and continuous losses, a firm may decide to layoff some and to downgrade others.

It is sometimes used as a disciplinary tool against offending employees.

5. Transfer

A transfer implies a lateral movement of an employee in the hierarchy of positions with the same pay and status. Transfers may be either company initiated or employee initiated. In fact, a transfer is a change in job assignment. It may involve a promotion, demotion or no change at all in status and responsibility.

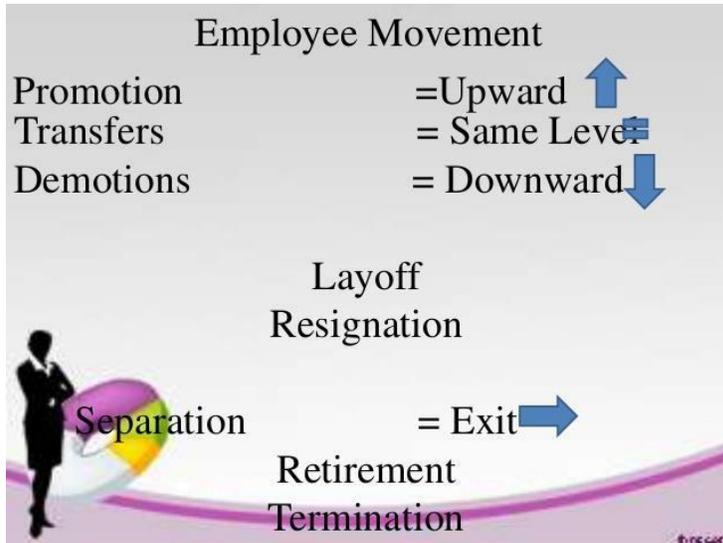
Transfers from one job to another may be either temporary or permanent. Temporary transfers may be due to

temporary absenteeism
shifts in the workload
vacations

Permanent transfers may be due to shifts in the workload vacancies requiring the special skill of the transferred employee ill-health of the employee.

Transfer requests might come from the worker himself, from his superior, from the head of another department or may be made necessary by changes in the volume of trading activities. When the transfer request comes from the employee himself, it is because he does not like the work or the place of work or the co-workers.

Requests for transfers should be favourably considered especially when it comes from an employee. An unsatisfied employee is more of a liability than an asset. It is true that no company can comply with all requests for transfers.



5.1. Types of Transfers

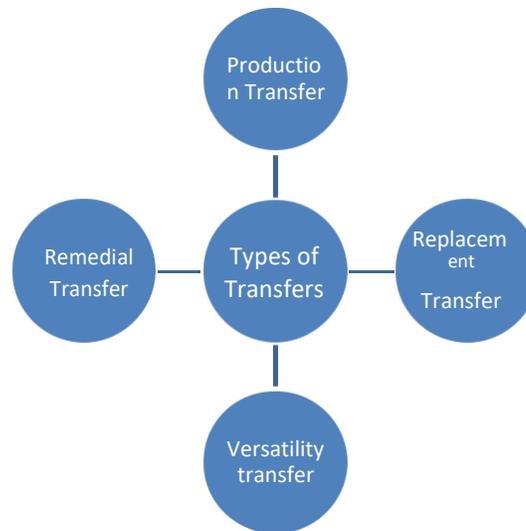


Figure-1 Types of transfers

Different types of transfer in the jobs are listed below.

5.1.1. Production transfer

Transfers from jobs in which labour requirements are declining to jobs in which they are increasing (through resignation or otherwise) are called production transfer.

This type of transfer is made to avoid lay-off of efficient employees by providing them with alternative positions in the same organisation.

5.1.2. Replacement transfer

These are transfers in which a long- service employee is transferred to a similar job where he replaces or “bumps” an employee with shorter service. This type of transfer is made when all operations are declining but management wants to retain the long-service employee as long as possible.

5.1.3. Versatility transfer

The versatility transfer (better called ‘rotation’) is for the purpose of providing management with a more versatile group of employees.

This type of transfer will increase the versatility of the employee by shifting him from one job to another. The employee gets an opportunity for varied job experience. This helps the employee through job enlargement.

5.1.4. Remedial transfer

These transfers are made to remedy the situation. Remedial transfers provide management with a procedure whereby an unsatisfactory placement can be corrected. Initial placement might be faulty or the type of job might not suit his health. In such cases the worker would benefit by transfer to a different kind of work.

5.2. Benefits of transfers

- Improve employee skills
- Remedy faulty placement decisions
- Prepare the employee for challenging future
- Improve employee satisfaction
- Improve employee-employer relations.

5.3. Problems with transfers

- Inconvenient to employees.
- Employees may or may not fit in the new location
- Shifting of experienced hands may affect productivity
- Discriminatory transfer may affect employee satisfaction.

6. Employee separation

Employee separation occurs when employees cease to be a member of an organization. Agreement between employer & employee comes to an end. Employees decide to leave the organization or organization ask employee to leave. Reasons for employee separations are voluntary or involuntary. In the former initiation for separation is taken by employee himself or herself. Where the employer initiates to separate an employee it becomes involuntary separation.

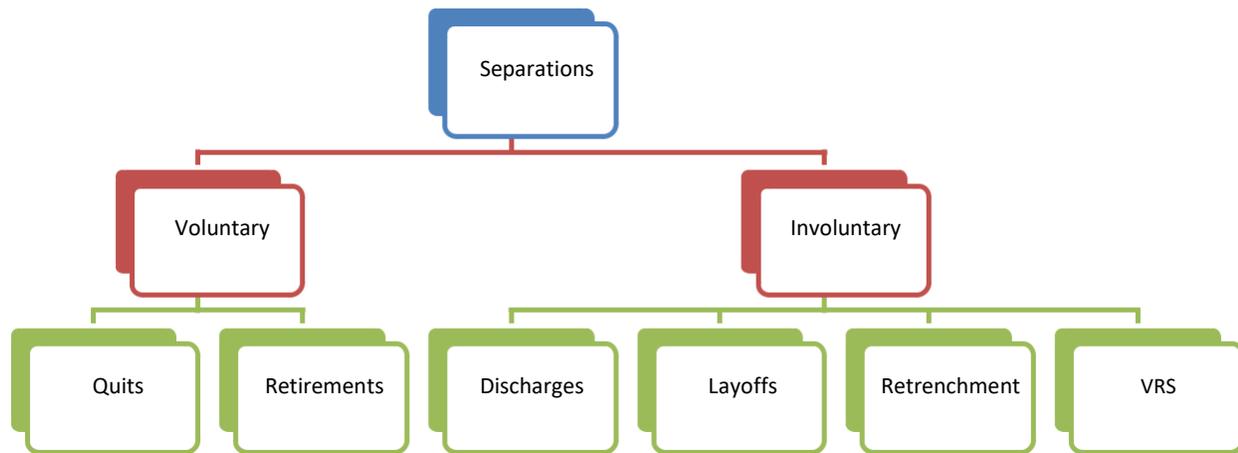


Figure-2: Causes of Separation

6.1. Voluntary Separations

6.1.1. Quits

An employee decides to quit when his or her level of dissatisfaction with the present job is high or a more alternative job is awaiting the individual. Organisations often encourage quits through cash incentives. Popularly known as voluntary retirement scheme (VRS) these schemes are offered by the organizations when they are experiencing losses. They resort to cost saving and believe that the best way of cost saving is to cut the wages of the employees. As VRS are induced by the management it comes under involuntary separations.

6.1.2 Retirement :-

Retirements occur when employees reach the end of their careers. The age for an employee's superannuation differs. Retirement differs from quits. When the employee superannuates and leaves the organization, he or she carries several benefits with himself or herself. Such a privilege is denied to the employee who quits.

Second, retirement occurs at the end of an employee's career but the quit can take place at any time.

Third, superannuation shall not leave any bad relationship behind the retiree but a quit is likely to result in hurt feelings with the employer.

6.2. Involuntary Separations

Employers resort to terminate employment contract with employees for at least three reasons:

Organization is passing through lean period and is unable to maintain the existing labour Initial faulty hiring resulting in mismatch between job and employee.

Employee exhibits unusual behavior making the environment ineffective.

Discharges, layoffs, retrenchment and VRS are the common methods of employer sponsored separations.

6.2.1. Discharge or Dismissal

A discharge takes place when the employer discovers that it is no more desirable to keep an employee any longer. Discharge, also called termination, should be avoided as far as possible. Termination is expensive as the firm must seek replacement, hire and train the new hire. A discharged individual is likely to badmouth about the company. Dismissal is the last step and may be resorted to when all the efforts in salvaging the employee have failed. The following reasons lead to the dismissal of an employee:

- Excessive absenteeism

- Serious misconduct

- False statement of qualification at the time of employment

- Theft of company property

6.2.2. Layoff

A layoff is a temporary separation of the employee at the instance of the employer. Section 2(kkk) of **The Industrial Disputes Act, 1947**, defines layoff as “*the failure, refusal or inability of an employer to give employment to a worker whose name is present on the rolls but who has not been retrenched*”. A layoff may be for a definite period on the expiry of which the employee will be recalled by the employer for the duty.

As the employees are laid off by the employer they have to be paid compensation for the period they are laid off. Section 25 of **The Industrial Disputes Act, 1947** makes it compulsory for the employer to pay compensation for all the days of layoff. The compensation must be equal to half of the normal wages the employee would have earned if he or she would not have been laid off.

A layoff may be for one of the following reason:

- Shortage of coal, power or raw

- materials Accumulation of stocks

- Breakdown of machinery etc.

6.2.3. Retrenchment

It refers to the termination of the employee because of the replacement of labour by machines or the closure of a department due to continuing lack of demand of the products manufactured in that particular department of the organisation. If the plant is itself closed then the management and the employees have to leave for good. Like layoff retrenchment also entitles the employees to compensation which in terms of section 25(f) of the industrial disputes act, 1947 is equivalent to 15 days average pay for every completed year of continuous service.

Retrenchment however differs from layoff in the sense that in layoff the employee continues to be in the employment of the organization and is sure to be recalled after the end of the period of layoff whereas, in retrenchment, the employee's relation with the company are detached immediately.

Retrenchment also differs from dismissal. An employee is dismissed due to his or her own fault and dismissal is usually done of one or two employees whereas retrenchment is forced both on the employer and the employee and it involves the termination of several employees.

6.2.4. Voluntary retirement scheme

Beginning in the early 1980's, companies both public and private sector have been sending home surplus labour for good reasons not by retrenchment but by a novel scheme called Voluntary retirement scheme VRS also called the “*golden hand shake plan*”. Handsome compensation is paid to the leaving employees.

VRS is thought to be painless and time saving method of trimming the staff strength and getting rid of unproductive older workers. Many organizations like Hindustan Lever, Siemens, TISCO have successfully operated this scheme and achieved great success.

TISCO had set aside Rs.100 crore for its VRS in 1997. The company had decided to cut off its employees from 68,000 to 55,000 in five years to improve efficiency and it received good response.

THE GOLDEN HANDSHAKE

- ▶ The **most humane technique** to retrench the employees in the company today is the voluntary retirement scheme.
- ▶ The scheme which is formally permitted by the **Department of Public Enterprises** and **DHI** which provides the lucrative way for the employees to terminate their services and accept VRS.



6.2.5. Resignation

A resignation refers to the termination of employment at the instance of the employee in that case it is voluntary but if forced by the employer for not putting his duty well ,or for some serious charge against him than it becomes involuntary. An employee may resign when he or she gets a good job elsewhere, or due to ill health, or may resign due to some personal problems.

7. Summary

Internal mobility is the process of movement of employees which takes place between the jobs in sections, departments or divisions of the organization.

Internal mobility can take any or more of the following forms promotion, demotion and transfer. Transfers and promotions should be based on some principles. Movement of people causes attrition which has become a major concern for an HR professional. In a tough competitive scenario it is not easy to manage the separations. “Separations” means cessation of the service with the organization for one or the other reason. Quits, retirements, dismissal, layoffs, retrenchment, resignations and VRS are the various types of separations. Quits and retirements are at the instance of employee. Whereas termination, layoffs, retrenchments, VRS are caused by the employers.

Reference :-

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