

Perform or Perish

THEY ARE BRINGING IN CHANGES in industrial relations so fast that the very purpose of the much talked about 'reforms' may be defeated. The concept of capital-labour conflict resolution is likely to undergo a sea change in the coming days. After the end of old pension system, they are thinking to introduce performance-related pay hopefully in a year or two. Earlier they introduced productivity-linked bonus in the Railways and telecommunications department only to see after some time the idea backfired as workers were gaining as a result of decreased workforce and increased volume of business because 'productivity per unit'—the basis of calculation—moved high and high. As for performance-related pay structure things are unclear and uncertain as well. Surprisingly, the response from central trade unions seems passive. Maybe they are yet to formulate how to react.

The Sixth Pay Commission has asked IIM Ahmedabad to make a plan for the Performance Related Pay (PRP) keeping in view international best practices "Pay increases are based on annual increments and the salaries depend more on length of service and grades rather than the performance of an individual employee". Whether increment payable as a percentage of the salary on the basis of productivity and the performance of the employees, either individually or as a group in a top-heavy administrative system is open to question.

Many developed countries have PRP systems in place. An OECD Policy Brief of 2005 titled 'Paying for Performance : Policies for Government Employees' says : "Whether PRP will have a positive impact on staff is strongly dependent on how well the appraisal process is carried out... PRP policies are counterproductive in an inadequate management framework, and may in such situations increase problems linked to trust and even lead to corruption and patronage." This observation warrants serious consideration. Presently the promotion of a Secretary is mostly based on years of service. While this does not confer advantage to honest officers, it also does not allow punitive action against them by corrupt ministers. The PRP system, one presumes, will be implemented by the concerned ministers.

Prime Minister Dr Manmohan Singh wants to link the pay of government employees with their performance to provide good governance through such a system. But such a flexible system can lead to opposite results in hands of corrupt ministers.

Dr Singh should also reconsider his mantra of big government. He is implementing PRP on the one hand and expanding the role of government on the other which will negate the net impact of PRP if any, in the Indian context.

The point is that a sense of uncertainty remains about the success of government welfare programmes even if PRP is implemented through an independent Commission. Dr Singh is more likely to succeed in increasing the size of government and less likely to succeed in creating efficiency which is however the stated objective of PRP. □□□

[Contributed]