CHAPTER 1
INTRODUCTION

1.1 BACKGROUND

Absenteeism is a big obstacle in the growth of any company. Number of researchers had already run behind absenteeism and some are still running just to find out the main causes of it and also to provide some solutions that can combat it. Nature of industries may be different, companies may be big or small but this problem called absenteeism is like a slow poison, if not identified and removed may cause a severe problem in any organization, that may result in losses, disputes, conflicts, stress and more over dissolving of the company. Absence control can often be an important step in reducing the business costs as it is a problem that do not comes alone, with itself, it brings lot other problems that come along with huge financial losses, as the number of researches in their quantitative researches have proven that companies with high absenteeism bears heavy financial losses due to interrupted or ceased work.

As a known fact, literacy rate is increasing and as a resultant number of companies are also increasing and this is finally increasing the competition among industries. This increasing competition is putting a lot of pressures on all the players in the competition as it is making it difficult for employers to do well in the market and to survive in long run. Therefore, many companies are struggling to combat with this problem of workers absenteeism. No matter how good infrastructure a company have, no matter what a good raw material or machinery a company possess but until and unless a company have a regular and dedicated workforce it cannot even think of achieving the targets.

When the workforce is not regular or remains absent from duty or come late and go early or extend lunch breaks or toilet breaks, or make excuses for being on leave, these habits are called as absenteeism. Absenteeism is one of the major factors that affect optimum utilization of human resources. It is an industrial malady affecting productivity, interpersonal relationships, behavior of the co workers and labour turnover rate. Even if only few workers are having habit of remaining absent it may become communicable and can influence other workers in same way. So before it’s too late, management may take some serious steps to cease or confiscate absenteeism from workplace.

We all are acquainted with the fact, as far as production is concerned it is done by floor workers and when these workers adopt the habit of being absent in any form, it starts affecting the company in many ways. Gradually, this practice of being absent, in workers start affecting the productivity and the production goes down and so the goodwill of the related company. There are major influencers that cause absenteeism
in industries, and have a relation with productivity too; these influencers are interpersonal relationships, behavior of job related attitude and labor turnover. This study is focusing on major causes of absenteeism in related industry, studying the relationship among IPR, behavior, labor turnover, absenteeism and productivity.

In India basically two agencies collect and compile data on absenteeism.

- Labor Bureau, Shimla
- Annual Survey of Industries, Kolkata.

A. According to Labor Bureau, Shimla: “Only unofficial absence from work about which the employer has no aforementioned information of the workers” failure is considered as absenteeism”.

B. According to Annual Survey of Industries, Calcutta: “All kinds of Vacations and leaves are considered as absenteeism”.

For this study I prefer to go with the stance of annual survey of industries Calcutta. Reason being, as discussed with the entrepreneurs of the transformer manufacturing companies of Agra, the workers take all kind of leaves, they extend lunch breaks and toilet breaks that all together affects production. Therefore all kind of leaves whether informed or not will be considered as absenteeism. Many times the reason for leaves which is informed is not known whether it’s true or not.

Modern industry with its high degree of specialism and interdependence of operations requires regular and punctual turnout of all workers. In throng production industries, almost every production process is dependent upon other processes and an unexpected absence of an employee in a particular department may result in a drastic dislocation of production in another department or even in the entire plant, Vijya Rao (2012). Absenteeism means employee absent from the job due to reason of sickness, social functions, death of relatives etc. absenteeism of employees is usual but when ratio increase that directly effect on organization performance and also increase the cost and workload in organization, Barkha Gupta (2013). Employee absenteeism is an accredited problem in any organization which uses fixed work schedules, Dalton & Mesch, (1991), and Cascio (2000), as Mayfield & Mayfield, (2009) defines it as any failure to report for or stay at work as scheduled, regardless of what the reason. Absenteeism reduces the performance of personnel and makes firm plunge productivity. Nel et al. (2001). Absenteeism is considered as withdrawal behavior when it is used as a way to escape an detrimental working environment, Van Der Merwe and Miller (1988), they also define absenteeism as an unplanned, disruptive incident; but more specifically it can be seen as non - attendance when an employee is scheduled to work. Circadian Information Limited Partnership (2005) says that Organizations handle unscheduled absences in a number of ways. In some cases, employees are simply not replaced, resulting in lost productivity. In other cases,
organizations maintain excess staff, utilize overtime, or substitute with agency workers. In any case, unscheduled absences are very disruptive to the business and result in augmented indirect costs of absenteeism. Moving further the research says that absenteeism not only affects productivity but indirectly also increase labour turnover, interpersonal relations and behavior of the employees which actually puts an impact of quality, quantity and overall productivity. Absenteeism is one of major human problem of Indian industries. The researcher says that absenteeism is the major cause of severe problems like loss in production, quality and delivery, Rathod & Reddy (2012). Increased workload, undesired overtime, increased accidents, conflict with absent workers, decreased productivity, increased grievances etc are some of the major problems caused due to absenteeism says, the author. Further the researcher also mentioned that past literature has been focusing on causes of absenteeism rather than impact of absenteeism. Paul.S Goodman and Robert S. Atkin, (2010). Further observations diagnose the impact of absenteeism also on production, leader, company moral and workplace atmosphere including job involvement. The more time leader focuses on resolving absenteeism and related issues, the less time he has to other company issues (Monica Sanders, Demand Media).

1.2 CAPITAL GOODS SECTOR: STRATEGIC IMPORTANCE

Technological revolutionization is the universal therapy for the obvious and limited stocks of natural resources to sustain economic growth, Grossman and Helpman (1994). It is, however restrained by the absence of a well-developed capital goods sector. Any amendment in process or product technologies unendingly requires capital goods industries to produce new machines or equipments according to certain specifications, Fransman (1986). Secondly, capital goods sector is also essential for the successful dissemination of inventions. A minuscule of new inventions, new products, or new processes, once conceived, are of no economic significance unless and until the capital goods sector has successfully solved the technical and mechanical problems or developed the new machines or equipments which the inventions require, Rosenberg (1970). Capital goods sector is, thus, regarded as the heart of the generation and dissemination of technologies in the economy, Rosenberg (1963) Capital goods consist of plant machinery, equipment and accessories required, either directly or indirectly, for manufacture or production of goods or for rendering services, including those required for replacement, modernization, technological upgrading and expansion of manufacturing facilities, Govt. of India, Department of Heavy Industries, DHI, (2016).

Manufacturing is the key provider to the financial development of any monarchy. The capital goods sector is a critical element to enhance the manufacturing activity by providing decisive inputs that is machinery and equipments. Capital goods industry is the backbone of manufacturing activity in any country. According to the government of India, Capital goods are defined as plant machineries for agricultural,
industrial and commercial segments of economic activities that have economic asset life of more than three years, Exim Bank Occasional paper, (2015). Capital Goods Sector comprises of plant and machinery, equipment / accessories required for manufacture / production, either directly or indirectly, of goods or for depiction of services, including those required for replacement, modernization, technological upgradation and expansion. It also includes packaging machinery and equipment, refrigeration equipment, power generating sets, equipment and instruments for testing, research and development, quality and pollution control. No matter how good an industry’s efforts are, for its growth but its survival has a huge dependency on Capital Goods as Capital Goods sector has multiplier effect and has bearing on the growth of the user industries as it provides critical input, i.e., machinery and equipment to the remaining sectors covered under the manufacturing activity, Capital Goods Skill Council, (2015). The growth of Indian capital goods production has been listless in the past few years. There are many reasons for the downfall of capital goods industry like weak government policy, less technological competitiveness, less focus on finished goods etc. one of the major causes are low skills and less efficient labor. Though India has an advantage over Germany and China when it comes to labor cost but still it lags behind in producing standard products well in time. The labor can be bungling due to many reasons but one of the major factors as per the discussion with the entrepreneurs of many sme’s in capital goods sector is absenteeism. But the heart breaking fact is that hardly any research has been conducted specifically in capital goods sector that studies absenteeism, National Capital Goods Policy, (2016)

Though capital goods sector has always been taken care by our honorable government but here also the policies of the government have prime focus on the major contributors to the economy that is the big and government companies. The literature depict, and even the various reports on capital goods companies’ states that major problems are faced by many companies and to be more clear SME’s.

The study of the performance of the Capital Goods sector reveals that its fortunes are allied with that of the by and large Indian industry. The Capital Goods value addition contributes a rather unwavering proportion (9-12 percent) of the total manufacturing worth added, thus establishing that manufacturing as the key end-user sector of Capital Goods drives the performance of the latter. Another key determinant of the demand for Capital Goods is the gross investment undertaken in the economy. The noticeable utilization of Capital Goods constitutes a constant share (17-21 percent) of the total Gross Domestic Investment in the country. On the supply side the output of Capital Goods is determined by investments in Capital Goods sector and capacity utilization. The investments in the Capital Goods sector have declined with the decline in the relative profitability of the Capital Goods sector with respect to other sectors, Price ware house coopers report, (2013).
Labor in Indian Capital Goods sector is highly cost competitive that is labors is competent enough to give good results. The labor cost efficiency for Indian Capital goods is 1:32 times that of China, Dun and Bradstreet, (D&B Reports), but our entrepreneurs of small and medium capital goods companies are not efficient enough to take advantage of this benefit because they are not able to overcome certain severe internal problems, and one of them on which our research is focused is absenteeism. As the research is focusing on human element of the organization, than it is essential to understand the tendency of labors at work place because specifically in small and medium companies the management is bit scattered. They are least bothered about persisting internal problems and are just bothered about current production targets. Therefore the workers here take the liberty and are most of the times indulged in absenteeism in various forms.

Capital Goods industry is divided into certain sub sectors, namely: Machine tools, Process plant machinery, Electrical machinery, Textile machinery and Earth Moving, Construction & Mining machinery. To be very explicit, lucid and to fetch indisputable result, researcher needs to be very specific and clear. Therefore this research is conducted in one of the sub sector and further in companies manufacturing single type of product. The sub sector chosen for the research is Electrical machinery as Heavy Electrical Equipment is the largest sub-sector but the compound annual growth rate (CAGR) of this sector is actually declining in the last 3 years and it came out to be -5.8%, as per DHI reports, (2016). As it is known to everyone that one most important capital good, that is the heart of any industry is actually TRANSFORMER, so keeping this fact and some other facts about transformer industry in mind this research is conducted in companies that are involved in transformer manufacturing in Agra region. This capital good comes under the sub sector known as Electrical equipments and machinery. Though the government’s intervention is always there, but when it comes to the take care of the capital goods sector, government is always busy drafting policies in favor of the sector, but that is the bigger side of the picture. What about smaller side? No matter how huge policy government design, but first the small players in the sector have to take care of the problems that are deeply rooted but are overlooked.

One of such problem is absenteeism. Undoubtedly as the reports reflects, SMEs still face challenges in budding new products and processes due to their smaller scale and inadequate institutional mechanisms, limited access to capital, unmanageable and untrained labors and low awareness and compliance with international standards. In addition, there are several sub-sector specific challenges. Achieving high growth would need focused collective efforts by all concerned stakeholders - government, industry, entrepreneurs, workers and end user segments alike; supported by an enabling policy for the capital goods industry and an internal policy by employers, DHI reports, (2016).
This research is focusing on the impact of absenteeism on productivity of transformers in medium sized companies. These two are the most important variables to be studied. The study is also aimed at finding out relation of absenteeism with some moderating factors as interpersonal relationships, behavior and labor turnover as they are also certain important variables that are somehow related to absenteeism and productivity and also to one another. As this industry play a major role in Indian economy and needs to be very definite when it comes to quality and quantity, so it really becomes very significant to find out the root cause of absenteeism and its impact on the productivity of this industry. Ensuring high level of productivity is a vision of every capitalist whether of a private firm or a public firm. Unfortunately the different forms of employee absences put a great amount of adverse effect on the output. Therefore the major aim of this study is to find out the reasons of employee absenteeism in the capital goods industry and also to see further its impact on productivity. Furthermore the research will be conducted in some transformer manufacturing companies that are involved in Exports. Basically transformer industry comes under the sub sector of capital goods industry naming Heavy Electrical and Power Plant Equipment. There is a basic reason behind choosing transformer companies, disclosing the fact, it is actually a process industry which is actually labor intensive. As it is a process work therefore it is very important to complete each step of process in sequence so as to move further to the next step so as to complete the whole process well in time. Here it gives the researcher a very serious reason to study this concrete problem called absenteeism that can actually put down the productivity at great level. The data will be gathered with the help of structured questionnaires, available literature and whereas the opinion of the employer is concerned it will be collected with the help of an interview session having pre structured set of questions.

1.2.1 Transformer Industry: An Overview

India is on the threshold of becoming an emerging power nation among budding economies. The availability of electricity is directly linked to the Gross Domestic Product (GDP) growth of developing economies, India being no exclusion. Growth of the Indian electrical industry and its speculation appeal primarily depends on government policies. Timely capacity additions to electricity generation, transmission & distribution (T&D) are necessary to improve and sustain GDP growth and reduce the electricity demand-supply gap. Although India has the 5th largest power generation capacity, globally (trailing behind China, US, Japan and Russia), a power deficit scenario has been plaguing the sector for more than a decade. Key reasons (apart from missing out on power generation capacity addition targets) for the continued power deficit scenario in the country are miserable conditions and inappropriate maintenance of existing T&D equipment / infrastructure and also that the transformer industry is predominantly unorganized with many small players catering to the smaller distribution transformers market. Apart from this High failure rate of distribution transformers, is a big concern for the transformer industry
in India. The average operational life of a transformer is between 25 to 30 years; however, transformers are known to be recalled for repair in as early as three years. The failure rate of distribution transformers in India is estimated at 10-15 percent (in stark contrast to the less than 2 percent failure rate in developing countries). This is due to the low entry barriers in the distribution transformer market leading to unorganized players entering the market, Amol Kotwal, (2015).

While the recital of the domestic electrical industry has been strong over the last decade, it is imperative to sustain sustained high rate of intensification if it has to meet the demand arising out of the targeted generation capacity addition, meet the growth of other sectors of economy and also become globally spirited and increase exports. Therefore, it is important to provide a level playing field in the country to domestic EE manufacturers’ vis-à-vis foreign manufacturers, who are enjoying support from their respective governments with respect to subsidies on raw material, incentives for export, low cost of funds, better infrastructure, etc as identified by Ministry of Heavy Industries and Public Enterprises (GOI).

The domestic electrical equipment industry, because of its assorted character and regardless of its critical role in the economy, has not received focused attention of the policy makers. In the telecom sector, the government has initiated a move to make it mandatory for all telecom companies to procure at least 30% of all electronic equipment domestically on security grounds. The power sector is of at least as much strategic importance as the telecom sector, if not more. Disproportionate reliance on imported power equipment, with uncertain quality and lifecycle, and with no domestic manufacturing facility to provide immediate spares, replacements, etc. especially for heavy equipment, is fraught with long term risks, IEEMA (2016).

A transformer is regarded as the most expensive asset in a power transmission network as it nearly cost 60% of the total substation capital cost. The average power rating of a distribution transformer is less than 1 MVA while that of a power transformer is greater than 5 MVA in India. Power transformers accounted for nearly ~% of the total revenue generated by India Power Transformer Market in 2013.

India’s transformer industry is predominantly unorganized with many small players catering to the smaller distribution transformers market. However, with times changing, many of them have graduated to the medium size category, thereby expanding the organized players base. In order to take advantage of oncoming demand, a number of companies have initiated capacity addition programs and many new players are venturing into this space. In India many players belong to the unorganized segment of the industry and cater to the smaller ratings distribution transformer demand. This is due to lack of infrastructure, testing facilities and technical skill sets available with them. However over a period of time many of these smaller players moved up the value chain and graduated to the higher rating
transformers. Despite this the number of players qualified for the larger variants of transformers is still small to serve upcoming demand expected over the forthcoming years as per IEEMA (2016).

1.2.2 Labor Issues Faced By Capital Goods (Transformer)

Manufacturing of transformer goes through a process including many important steps, in which, essentially, manpower is required, without which it can’t be completed. The process involves steadiness and mammoth attention of workers to complete the unit as well as the most emblematic thing that is to achieve standards. One unit takes a whole day to get completed. In this case if during testing, the transformer does not meet the standards, it gets rejected. This is the importance of workforce in transformer companies. Basically a transformer is the heart of any industry, without which no industry can function. It’s always in demand and this sector of capital goods called as electrical equipments sector and further it comes under distribution and converter sector. However, in terms of number of players, the sector can be termed as highly fragmented with majority of operative units present in the SME sector. Though Indian capital goods industry is facing lot many challenges and problems like high interest rates, high cost of raw materials, lack of latest technology etc but the major concern for this research is workforce or manpower related issues confronted by Indian capital goods sector. Support facilities, technology development institutions and skilled man-power lag behind global standards NSDC Reports, (2012-17, 2017-22). In order to sustain an annual GDP growth rate of around 7 to 8% over the next couple of years, the electricity requirement is bound to go up by almost 4-5 times. Rapid industrialization, higher living standards, growing middle class etc. would increase the per capita consumption of power over the next couple of years. Thus, it provides ample opportunities for the equipment manufacturers to meet the demand of expansion plans for the power producers, NSDC Reports,( 2012-17, 2017-22). This reason is enough to manage production in this sector, NSDC Reports, (2012-17, 2017-22). Labors are required in huge number in capital goods industry, but small companies are unable to retain these labors due to ineffective labor laws policy the labors are not very happy with the management and their style of dealing. Huge gaps exist in the availability of skilled manpower in the power equipment manufacturing industry. Also the available workers lack the required skills in welding and fitting, DSIR Reports (2016).The industry is facing acute shortages in quality skilled personnel and employable manpower. The productivity has also been low due to outdated curriculum of the training institutes like Industrial Training Institutes (ITI), polytechnics etc, NSDC Reports (2012-17, 2017-22).

1.2.3 Role of Small And Medium Enterprises In Economic Growth

As manufacturing industry is the major player in Indian Economy, so is the role of SMEs in manufacturing sector. These small and medium enterprises are
growing at a very fast pace. Small and medium enterprises are contributing almost 67% in manufacturing sector, Annual Report FY 12 of the Ministry of Micro, Small and Medium Enterprises. These enterprises are growing swiftly and strengthening their roles in economic growth. The major focus and inclination of small and medium enterprises is on manufacturing sectors as compared to service sectors. The importance and take care of sme’s is highly valued due to quantum of units that fall under this category. Basically it forms 90% of the total units in the country. The growth of manufacturing has been affiliated with the countries extravagant economic progress and rise in levels of living. Entrepreneurship is indispensable to hasten the industrial growth. Small and Medium enterprises are an effective means for the development of entrepreneurship. This sector is an only solution to the problems of poverty, insecurity, unemployment, over population he modern world, Uma, (2013). Small and medium enterprises are the strength of industrial progress. It is very imperative for both developed and developing countries. Small and medium enterprises always represented the model of economic development, which emphasized high input to domestic production, significant export earnings, low investment requirements, employment generation, effective contribution to foreign exchange earning of the nation with low import-intensive operations. A small enterprise is one where the investment in plant and machinery is more than twenty five lakh rupees but does not exceed five core rupees. A medium enterprise is the one, where the investment in plant and Machinery is more than five crore rupees but does not exceed ten crore rupees, MSME Act,(2006). Small and medium enterprises (SMEs) play a prominent role in the industrial and growth dynamics of a number of economies, UNIDO,( 2001). The fact is that they account for more than 90 per cent of all enterprises in the world and contribute as high as 80 per cent of employment in manufacturing, Pradhan and Das( 2012). SMEs still face challenges in developing new products and processes due to their smaller scale and inadequate institutional mechanisms, limited access to capital and low awareness and compliance with international standards (National Capital Goods Policy 2016). Small and Medium Enterprises play a vital role for the growth of Indian economy by contributing 45% of the industrial output, 40% of exports, 42 million in employment, create one million jobs every year and produces more than 8000 quality products for the Indian and international markets. As a result, MSMEs are today exposed to greater opportunities for expansion and diversification across the sectors.SME Chamber, (2015).

1.2.4 Indian Transformer Industry and Role Of Sme’s:

India is on the brink of becoming an emerging power nation among developing economies. The availability of electricity is directly linked to the Gross Domestic Product (GDP) growth of developing economies, India being no exclusion. Growth of the Indian electrical industry and its investment demand primarily depends on government policies. Timely capacity additions to electricity generation, transmission
& distribution (T&D) are necessary to improve and sustain GDP growth and reduce the electricity demand-supply gap (Electrical India July 2015). The Indian transformer industry is more than five decades old, hence middle-aged. Domestic manufacturers have developed capabilities to produce all types of equipment to meet the country’s demand for transformers up to 800 Kilovolts (KV) and going up to 1,200 kV. The industry enjoys a good reputation in terms of quality, price, and delivery in the domestic as well as overseas markets. India’s transformer market is predominantly unorganized with many small participants catering to the smaller distribution transformer markets. However, many are slowly graduating to the medium-sized category, thus expanding the organized participants’ base. There are approximately 300+ transformer companies in India, with an overall installed capacity of over 370,000 Megavolt Amperes, (MVA) per annum.

India’s transformer industry is predominantly unorganized with many small players catering to the smaller distribution transformers market. However, with times changing, many of them have graduated to the medium size category, thereby expanding the organized player’s base. In order to take advantage of oncoming demand, a number of companies have initiated capacity addition programs and many new players are venturing into this space (IIFL2015). Further SME’s are major contributors of transformers in India as they are growing at a very fast pace, but still they are facing a lot of problems internally which is lagging behind India in manufacturing and supplying of transformers timely.

The role of SME in Indian market can be highlighted from its position among business agents. According to Urata, (2000), there are a number of SME roles as follows

a. SME is the major player in money-making activities in varying sectors
b. SME is the biggest agent of vocations
c. SME is an important player in developing regional economic activities and social community development
d. SME is a creator of new market and innovations
e. For SME that have been acknowledged internationally, they have played important contributions in maintaining balance of payment through their exports.

Internal export barriers are intrinsic to the firm and are usually associated with insufficient organizational resources for export marketing and unorganized human resource for example, as mentioned by Czinkota and Rocks, (1983) Kaynak and Kothatri, (1984) Rabino, (1979), problems pertaining to meeting importer quality
standards and establishing the suitable design and image for the export market; problems related to the poor organization of export departments and the firm is lack of competent personnel to administer exporting activities, Yang et al., (1992); the inability to finance exports; insufficient information about overseas markets (the identification of appropriate overseas distributors and communication with overseas customers).

1.3 ABSENTEEISM IN INDUSTRIES

Today industry due to its booming condition and interdependence of operations requires regular and proper presence of all workers. In mass production industries, almost every production process is dependent upon other processes and an unexpected absence of an employee in a particular department may result in a drastic dislocation of production in another department or even in the entire plant. Absenteeism is one of the factors affecting optimum utilization of human resources. It is an industrial malady affecting productivity, profits, investments and absentee workers themselves. As such, increasing rate of absence adds very considerably to the cost of industry and hampers industrial progress. The absence of a few workmen is an imposition on others, affects work scheduling and adds to costs that push the price of absenteeism far beyond one day's salary. The economic and social losses occurring from absenteeism cannot be determined accurately. It is difficult to make even an approximate estimate of such losses because so many factors are involved which do not lend themselves to accurate measurements. In the first place, there is a lack of evidence concerning the seriousness of industrial absenteeism because records are inaccurate and incomplete. Only a small number of organizations attempt to understand this problem or make an effort to solve it, M.S. Vijaya Rao & Dr. .Sheela Rani, (2012). The rate of the absenteeism in Indian industries is very high and cannot be dismissed. A Statistical study of absenteeism of Indian Labor observed that, the basic cause of absenteeism in India is that industrial worker is still part-time peasant. Thus the workers go to find jobs at cities after the harvesting their crops. It means that when the transplanting season. These workers consider to the modern industrialism is insecure. Thus, cause to high rate of the absenteeism in the industrial sector, Dr. S. Rabiyyathul Basariya (2013). The effects of the absenteeism of the workforce in the factories unfavorably effect to the employers, the cost of production of the factory is increased because of the absent of the workers, by employed extra temporary staffs in order to replace the absentee. The effects of absenteeism in the workplace are directly proportionate to decreased productivity. The company, eventually, is trying to cover up the direct and indirect cost involved to hire temporary staff, and pay employees for overtime. So the cost of the production of the company is increased as the result they increase the price of the commodity, so the consumers have to pay high price for the commodities. However, the workers themselves also effect of the absenteeism because their income is reduced according to the principle of “no work no pay”, as the
result their standard of live decreased. Thus, absenteeism adversely affects the employers and the workers, and consumers and ultimately, it can be adverse affect to the growth of the economy in the country. so all these give rises to many industrial labor and social problems, Tyagi (2011).

As you can see in the figure 1, according to FMLA reports of 2015, it depicts that in midsized companies annual rate of absenteeism is bit lower than that in large companies, but it hardly matters as large companies have more resources to cope up with the cost incurred due to absenteeism as compared to midsized companies. Now days in capital goods sectors these midsized companies are becoming major contributors in the economy as they are gradually getting more in number. But as far as resources are concerned these midsized companies are lagging behind in good infrastructure, latest technology, competent labor etc. Exim Banks survey report (2008). The resources like infra and technology can be purchased but the competency of labor depends upon their commitment towards organization. But to make such commitment happen it becomes necessary that workforce should be regular and punctual towards their work which is actually getting hindered due to absenteeism of labor.

1.4  EFFECT OF ABSENTEEISM IN TRANSFORMER COMPANIES

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Fig. 1.1 Rate of Absenteeism

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Fig 1.2 Research Variables
The figure 1.2 shows five quadrants in total. The central one is the most important dependent variable of the study, productivity whereas Interpersonal relations, behavior a labor turnover are the moderating variables, that are affecting production and most important one, the independent variable is absenteeism, which is playing major role in affecting productivity of transformer companies. Absenteeism affects interpersonal relations in many ways. High absenteeism rates often show poor management and/or conflict within the relationship with labor. Generally the person taking more leaves, directly or indirectly grow to be predicament for co workers. When the colleagues have to work overtime due to the truant or when they are unable to take leaves because of the famine of workers due to their absence, this absenteeism starts upsetting interpersonal relationships and becomes expressed or unexpressed grievances which progressively and slowly starts drowning good interpersonal relations. It is the responsibility of the human resources department and the line managers to monitor and establish reasons for high absenteeism Bordia, and Irmer,(2007). Further, these poor interpersonal relations results in negative behavior of employees towards job, as said by Bordia, and Irmer, (2007). Interpersonal relations, if good can craft a healthy work surroundings but if insolvent can make the situation more adverse by creating negative attitude towards job and the root cause is of course absenteeism. Good IPR can definitely lead to high job satisfaction which in turn can reduce problems like absenteeism and turnover, Indermun & Bayat, (2013). One of the prime reasons for poor IPR is absenteeism. If absenteeism is controlled, it can give, good results by improving IPR, thus creating positive attitude of workers towards their job and organization. Next chapter of the story is very important obstacle to be considered before reaching to the final destination. There is a gap in the literature related to labor turnover. Huge amount of literature explains that high labor turnover decreases productivity but to fill the gap, it’s important to know that, negative behavior towards job provokes one to switch the job and when that happens, it is obvious that productivity will go down. Job satisfaction and employees“ turnover are inversely proportional. With decrease in the strength of one, there is increase in the strength of the other. “Job satisfaction and turnover are negatively related” Griffeth et al., (2000). As the literature also says that if the employee will enjoy the feeling of satisfaction, will show positive behavior towards job and will be committed. This commitment in return will enhance production.
1.5 CONCEPTUAL FRAMEWORK

The purpose of this chapter is to present a theoretical and conceptual framework and a preliminary model of absenteeism affecting productivity in transformer companies. The final framework or model will be developed after analysis of the collected data via survey. The following framework is based on the earlier literature and the discussions with the employers of the related companies. The model provides a direction to the study and also reflects the middle factors responsible. The literature has shown relationship among interpersonal relationships, job related behavior, labor turnover and absenteeism. These three moderate variables are the key inputs in the model developed. As the research is inclined towards investigating the impact of absenteeism on productivity in transformer companies, it is essential to endow with a conceptual framework to dig up the factors involved. This study figures out the major factors causing absenteeism in transformer companies so that the impact of absenteeism can be reduced by reducing absenteeism itself. Human resources are the both the culprits and victims of absenteeism, therefore causes and impact of absenteeism, both are to be taken into consideration. In point of fact the factors like good interpersonal relations, positive attitude, job involvement, and job commitment and employee retention are the moderating factors between absenteeism and productivity, therefore their partial relationship also taken into consideration. In nutshell all of these moderating factors play an important role in curbing industrial absenteeism up to great extent. Available literature depicts good IPR can reduce absenteeism and can help in building positive job related behavior, can reduce labor turnover rate and can also enhance production. Moving on to the next moderating factor, job related attitude has to do really a lot with absenteeism and productivity for

**Fig. 1.3 Conceptual Model**

Conceptual Model: Overview
sure. Labor turnover if more results in poor productivity and to be clear with relation, excess of absenteeism results in labor turnover.

1.5.1 Absenteeism

Do people really love to work? If we try to find out the answer to this question will we get the answer in NO? Definitely not! Everyone will say we really like to work, we enjoy our work etc. Then why researchers are so much worried regarding industrial absenteeism. Why the employers have to check the yearly records of the employees? Do we have any answers to these questions? Yes the only answer to this question is increasing absenteeism. Everyone is worried and tensed due to this increasing graph of absenteeism. Everyone might be thinking that why this problem again? Yes but it has to be discussed! As this problem still exists, none of the strategy is really working to control absenteeism completely.

Huge amount of literature depicts that absenteeism refers to kind of withdrawal or deviant behavior towards work. Absenteeism is not only limited up to being absent from work, it also includes a kind of behavior like coming late, going early, going slow at work, extending lunch breaks etc. In capital goods sector, the government is keenly interested as it is one of the major contributors in our Indian economy. Our Indian government in its various policies and planning for capital goods sector has always included ways to overcome problems faced by the industry like lack of support facilities, technology development institutions and skilled man-power, NSDC Reports (2012-17, 2017-22). In all of the plans available one problem faced by small and medium companies that contribute to one identified major factor that is lack of skilled manpower is Absenteeism. Hardly there is any literature reflecting absenteeism in capital goods industry. In the chosen capital goods sector that is Electrical Equipments, further segregating, Transformer companies. None of the research so far has tried to identify the causes of absenteeism and its impact on productivity.

1.5.2 Interpersonal Relationships

The study aims at finding out the relation or the impact of absenteeism on productivity. Keeping the main objective in mind, certain moderating factors are also identified that caters absenteeism in both ways and puts an impact on productivity. Literature reflects that interpersonal relationships also have to do a lot with absenteeism. If absenteeism is less, that it’s seen that interpersonal relations improve and it can be vice versa. Some researches reflect that good interpersonal relations lessen absenteeism and also build good behavior of employee in relation to his or her job. Differential treatment, being unfair and biased behavior leads to unhealthy relations at workplace. Some employees involved in deviant behavior like absenteeism give rise to conflicts in the organization which further increases absenteeism, Miner (1990). Constructive interpersonal relationships at work have valuable impact on both
organizational and individual variables. Research has confirmed that friendships at work can improve individual employee attitudes such as job satisfaction, job commitment, engagement and perceived organizational support and employee availability and presence. Valued work relationships can influence organizational outcomes by increasing institutional participation, establishing supportive and innovative climates, increasing organizational productivity and indirectly reducing the intent to turnover, Anderson & Martin, (1995). Since Interpersonal relations at workplace serve a critical role in the development and maintenance of trust and positive feelings among employees in the organization. Hence this may affect employee’s attitude, Chandrashekar, (2011). Another fact to be known is that how well employees get along with the organization influence the employee’s error rate, level of innovation and collaboration with other employees, absenteeism and ultimately time period to stay in the job. Improving the interpersonal relationships at workplace reduces complaints and absenteeism while increasing productivity. More satisfied workers are with their jobs the better the company is likely to perform in terms of subsequent profitability and particularly productivity, Leblebici, (2012). Interpersonal relationships are a vital formula at the workplace. Positive relations can take the shape of various types of exchange between superior/colleagues and subordinates. Various studies conducted in this respect indicated that workplace relations directly affect a workers ability to work and produce. Workers spent lot many hours at workplace and many relationships are formed during this time period. Good interpersonal relationships lead to more satisfied and committed employees, greater productivity, better job performance and a positive job attitude, Ebrahim, (2013). Positive relationships at work obtain mounting concentration in business studies. They are regarded as stimulators of constructive stance to work and employee wellbeing, and manacles employee overloading They provide employees with a higher sense of meaningfulness, safety and availability As the result, various positive effects for the organization performance are reported, such as effective knowledge management and decrease in absence and employee turnover. The author says to gain organizational effectiveness one must have good interpersonal relations in the organization and to get good interpersonal relations, there must be an effective and efficient leader, Lis, (2014). This research revealed that interpersonal relations can influence employees’ work-related attitudes, intentions, and behaviors such as job satisfaction, job performance, turnover intention, and absenteeism when employees have trustful friends at work, they can get help or advice from their friend coworkers and, therefore, gain feelings of security, comfort, and satisfaction with their job at work. Also, employees in friendship tend to engage in altruistic behaviors by providing co-workers with help, guide, advice, feedback, recommendation, or information on various work-related matters, Lee & Ok, (2008).
1.5.3 Behavior

It’s clear from the available literature that behavior has a very prominent double sided role in organization. One side of the coin says that positive behavior definitely decrease industrial absenteeism, whereas the other side of the coin states that unfair treatment, absenteeism and poor interpersonal relations leads to negative behavior towards work that further increase problems like labor turnover and absenteeism. Looking at a glance at the available literature author says, Feeling of unfairness, poor interpersonal relations gives rise to deviant behavior and absenteeism. It was seen that difference in behavior with employees further lead to different behaviors by employees, Behave, (2002). Unfair treatment by employer, poor interpersonal relationships results in feeling of stress and depression that increases absenteeism, Romero & Strom, (2011). Dissatisfaction towards job is a kind of behavior that reflects how employees feel about their jobs. If employees remain dissatisfied with their job in the organization they may engage in counterproductive behaviors such as poor service, destructive rumors, theft and sabotage of equipment, turnover absenteeism and counterproductive behavior results in a financial cost to the organization in terms of lost productivity. Remaining on the track author says that deviant workplace behavior can adversely affect the organization therefore it should be controlled and managed in such a way that it converts into a positive deviant behavior, Muafi, (2011). Feeling of unfairness, poor interpersonal relations gives rise to deviant behavior and absenteeism. It was seen that difference in behavior with employees further lead to different behaviors by employees, Behave, (2002). Today’s scenario clearly reflects from its trend that to sustain in this era of high and tough competition, an organization, to survive, has to put lot many efforts within the organization to satisfy their workforce in a way that they start holding a strong positive attitude like job involvement and job commitment towards their organization. Further author says that dissatisfied employees display characteristics of low productivity, absenteeism, and turnover. These traits are highly costly for the organization. One of the aspects of this paper useful for this research is interpersonal relationships. The author says that good IPR can definitely lead to high job satisfaction which in turn can reduce problems like absenteeism and turnover, Indermun & Bayat, (2013). In capital goods sector, study of absenteeism in relation with IPR, behavior and labor turnover is quite sparse. This research is an initiative to come up with solutions that can curb absenteeism caused by the three mentioned variables, thus increasing productivity.

1.5.4 Labor Turnover

Turnover is simply defined as “the reverse position of an employee in an organization”, Cotton & Tuttle, (1986). Job turnover plays a crucial role in an organization’s long term achievement and success. Future of any company can actually be brightened by retaining skilled employees. Job satisfaction or (job related
behavior) are inversely proportional. With decrease in the strength of one, there is an increase in the strength of another, Griffeth et al., (2000). Moving further with the relation between Job satisfaction and labor turnover the author says that, Carsten & Spector, (1987) and Steel, Hendrix and Balogh, (1990) gave us an idea about the relationship between job satisfaction and turnover is stronger when the time duration between administration of the questionnaire and assessment of the turnover is shorter, Mobley et al.(1979). When the employees or floor workers or any worker of any cadre gets involved in his work, starts enjoying feeling of job satisfaction, naturally starts coming to workplace regularly and then there are very rare chances of occurring of problems like absenteeism and labour turnover. In transformer companies, labors are the heart. If labor issues will persist over there than completing of task becomes impossible. The relation between job satisfaction and employee turnover is reciprocal to each other and this relationship is high when unemployment rate is low in the society and similarly low when unemployment rate is high, as Carsten and Spector explained “Even though people are not satisfied with their jobs, they will be less likely to quit if there are few alternatives available. Job satisfaction was found to be negatively related to turnover, Griffeth et al, (2000), Khatri et al, (2001); Tett & Meyer, (1993); Vong, (2003). Intention to leave is the adverse form of absenteeism. If the factors like Interpersonal relations and behavior related to job are positive than there are hardly any chances that employees will leave the company. Thus altogether this situation will enhance the productivity. Absenteeism is associated with many different aspects of the business, related to the study is higher turnover. Turnover is 7.8% per year in facilities with low to average absenteeism, and 10.6% in facilities with high absenteeism, Circadian Information Limited, (2005). Research indicates that employee satisfaction is important to an organization’s success. It is a widely studied construct in organizational behaviour as it influences other organizational variables like productivity, turnover and absenteeism, Atchison, (1999) states that many organisations are spending much time on employee satisfaction initiatives in an effort to reduce turnover, improve productivity and to help organisations succeed.

1.5.5 Productivity

Productivity is a vital part of any organization as the more productive an enterprise is, the higher profit rates it will have. The operational measures of productivity, affectivity and quality are subordinate to the results concept. Many working environment studies, intended to show the benefit of measures implemented, report on side issues alone, that is, productivity, affectivity and quality, omitting how profits have been improved through measures taken. Glyn, (2006). One thing that helps in initiating productivity is management development. Productivity varies due to differences in production technology, differences in the efficiency of the production process, and differences in the environment in which production occurs. The ability to include efficiency change as a component of productivity change depends on the data
one has to work with, and the assumptions one is willing to make. For employees to be empowered, the company must provide means for employees to participate both at the shop or office floor and at higher levels in the organization. Investment induces productivity growth by installing new technologies and by positive externalities. These common characteristics imply a second important feature Sawyer, (2006). Capital Goods sector is the one which is actually contributing in manufacturing sector as the backbone. If this sector will lag behind in production, the overall industrial production will get affected. This sector provides durable goods that are used by other industries for production of other goods. But in this sector the major players are the small and medium enterprises. The chosen sub sector and the product that is transformers are considered as the heart of any industry. It is the source of required power supply needed by the company. So well understood is the fact that no power, no work and no work than no production. Therefore the production of transformers on time is urgently required. In this case if due to any reason, production is going down, than the reasons should immediately be found and resolved. In medium sized transformer companies, mismanaged labor could easily be seen. The workers are most of the time absent from the duty and that disturbs the whole manufacturing process. Company has to hire workers on immediate basis to get the work done. Hence the causes of absenteeism has to be identified and also the moderate factors between absenteeism and productivity are also to be found out and finally strategies related to curbing of absenteeism and improvement in productivity have to be framed out.

1.6 SIGNIFICANCE OF THE STUDY & RESEARCH GAP

The relevance of this study was to establish the impact of absenteeism on productivity and further hit upon the major causes of absenteeism in small and medium sized transformer companies. Actually there is a need to study absenteeism in capital goods (SME’s) sector as there is hardly any research. Moreover most of the previous researches have focused on causes of absenteeism rather than on its impact.

Furthermore the study explores the path between absenteeism and Productivity. Specifically in transformer company (untouched yet). Absenteeism directly affects productivity, that’s true. But it’s the need of the study to closely relate absenteeism with the workers thought process which is affected by Interpersonal relationships, job related behavior and turnover, which also have partial relation with absenteeism and with one another and finally with productivity.

The study will definitely help the employer in curbing absenteeism and forming strategies that can delete absenteeism from the small and medium sized transformer companies.
1.7 SCOPE OF THE STUDY

- The study will cover the causes of absenteeism in small and medium sized transformer companies in Agra region.
- The study will also focus on the moderate factors that are purely related to human resources and have a strong relation with one another and absenteeism.
- The study actually is inclined towards finding out the impact of absenteeism on productivity in transformer manufacturing companies in Agra as this kind of research has not been conducted yet.

The capital goods sector is taken care by the government in many ways like government in its five-year plan for capital goods make sure that wherever is the industry lacking, there, required facility should be provided. Government keeps foresightedness approach for capital goods industry so as to increase and enhance the production of capital goods.

But government has a big picture approach, and to be frank somebody has to look at the narrow side of the river. Some problems are there at the root level, that seems to be small but actually can take big face. This research is focusing on one of the worker’s related problem in the company and that is Absenteeism. The study is going to provide some solutions that can help in increasing productivity by reducing absenteeism, in small and medium transformer companies of Agra region.

1.8 LIMITATIONS OF THE STUDY

All the conceptual review on Absenteeism and other factors are based on author’s experiences and seem to be true and factual. Although the research was conducted at good pace but still some limitations could be seen. The need of the research was to collect factual information from the employer regarding worker behavior related to absenteeism, which was quite a difficult task as the waiting time was sometimes too long.

The second part of the study that was quite challenging was to collect data from workers via questionnaire and interview. Some were cooperative but some were reluctant. Time factor can also be considered as one of the important and obvious limitation. The findings of the study were extracted through the information provided by the respondents. The target respondents were the skilled floor workers of the company and some important interview questions were asked by the employers of those companies. Apart from this, it was very difficult to get the genuine data of turnover of the companies, otherwise a bit of that would also have been included in the study. The accuracy of the findings was limited by the accuracy of statistical tools used for analysis.