CHAPTER - 1

PRODUCTIVITY IN SERVICE SECTOR

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SERVICE SECTOR is an important strategic sector of the economy on account of its ever increasing contribution to Gross Domestic Product (GDP) of the country right from the advent of planned economy era. Its share in the quantum and level of employment in the organised sector further reveals the same picture. Service sector primarily aids infrastructural support to manufacturing sector and brings about improvement in quality of life, and thereby continuously improving and sustaining a higher standard of living.

1.2 The rising standards of living in the developed and developing countries alike, have led to rapid growth of demand for services which is reflected in the contribution of service sector to GDP and its share in the employment market. To substantiate, the contribution of this sector to GDP of India almost doubled during the period 1950-51 to year 1986-87 having gone up from about 25% to nearly 50% during the aforesaid years. (1). As against this the similar contribution in Britain stood at 63% at the close of 1980. (2). In this context it should be interesting to note that the majority of new jobs created in the last decade have been in the service sector or in the service functions of the manufacturing sector. The trend is obvious from the findings of the various studies carried out in the West, for instance the White collar employees are estimated to be in the vicinity of 85% of the total workforce in United States of America. (3). The situation is not likely to be much
This trend needs to be looked into with great concern for the simple reason that an array of management thinkers and practitioners have disclosed in their studies that the productivity has been quite low in service and administration areas, both in India and abroad. The observations of a few experts in the field reveals the underlying stress on the importance of the service sector on the economy:

"The state of Indian Railways, Telecommunications, Banking, Insurance, Public Distribution, Administrative infrastructure and other service related sectors reveal that services are relatively labour intensive and show low productivity. This trend has even led many critics to observe that the growth of service sector in India is constraining the growth of infrastructure and manufacturing sector"—Som. (4)

"THE growing individual income, high quality of life and diversifying service needs, intensifying competition, the global market environment, the trends of GATT negotiations and liberalisation policy of Govt. of India have created new challenges for the service sector. The industries in services sector, to tide over such changing business environment, will have to go in for productivity improvement efforts in conjunction with modern management techniques and use of information technology"—Sashi Kant Mohapatra. (5)
1.3 If we were to take an inventory of the Service Sector in India then we can do no better than first enumerating its constituents and then identifying its features that emerged since independence of the country. In respect to the former service sector in India is predominantly comprised of all business or personal transactions in society other than Industry and Agriculture like education, municipal Corporations, police and security, insurance, banking, railways, and transportation, shipping and ports, urban development agencies and housing, community development, welfare & public administration, etc. And in so far as its characteristics are concerned, important among them, as emerged in India after independence, are:

i. Service industry is highly employee oriented.

ii. The service industry is mostly comprised of large governmental organisations where the social objectives of the government often take precedence over commercial implications.

iii. The monopoly conditions in which these organisation operate preclude any possibility of assessment- bench marking performance relative to each other.

iv. The schism in the operating environment between these organisations and other similar ones across the globe with respect of - technological and socio-cultural factors make comparisons meaningless.
PERFORMANCE EVALUATION

1.4 Inspite of these factors, there are certain important aspects like customer services and fulfilling socio-economic objectives of the national developmental plans, which are being pursued by the service sector. The most important question now arises—how to evaluate the performance of services sector units?. (7). Although the factors like fulfilling socio-economic objectives associated with service sector, are difficult to measure qualitatively and quantitatively, there exists a bright possibility of analysing individual situation by working at key terminal outputs and sub-key terminal outputs corresponding to resource inputs. The outputs may even be defined as developmental output, social profitability or even intellectual property, as the case may be. Take the examples of hospitals, banks, hotels and typical service providing institutions. It is the combination of courtesy, care, attention, promptness and earnestness with which the customer is handled which determines the effectiveness of service provided. Hence, the paramount dimension of productivity in service sector is the prime focus on satisfying the customer need or maximising the customer satisfaction while optimising the efficiency requirements of input consumption. Therefore, the definition as well as measurement of productivity is not that straight forward and easy as in manufacturing with tangible outputs. Thus, a
combination of performance indicators in terms of fulfillment of mission-cum-developmental objectives of the organisation along with key optimising performance indicators of outputs and input resources in the form of a multifactor productivity measure will be relevant to the service sector. There are no general principles available in literature even to indicate this applicability of performance evaluation on productivity measurement in service sector(8).

1.5 Thus there is a vital need to define Productivity as different to output-input ratio, as applicable to the service sector organisations. Also we must identify the factors responsible for employee’s contribution to productivity improvement on one hand, and evaluate the possibility of application of productivity measurement technologies to service sector and to identify appropriate methodologies for the same, on the other. Furthermore, it would be of great interest to establish the present state of awareness and productivity perceptions of employees in service sectors and their impressions on the role of financial incentives and rewards for productivity improvement in service organisations. The study of the impact of Productivity Linked Reward Schemes (PLRS), as a component of influencing environment which leads to higher organisational performances and improved productivity of organisation, should be of immense significance.
REFERENCES: