

# Hrm problem in indian airlines

Environment, Air



## Introduction

The Indian Airline was set up under the Air Corporations Act, 1953 with an initial capital of Rs. 32 million and started operations on 1 August 1953. And it dominated the Indian aviation sector during the 80's and 90's. However the rules of monopoly were deregulated in 1994. Following which many carriers entered the market. However, only two strong competitors emerged during the 1990s which were the Jet Airways and Air Sahara.

This competition from the new private carriers required the airline to adapt to the new order, a process which was difficult due to the fact that management did not have complete commercial freedom, and the government was unwilling to invest in the airline. Another big reason was the Human Resource Management problems including the inefficient manpower planning, unproductive deployment manpower (results of ad-hoc job analysis), and unwarranted increase in salaries and wages caused a number of strikes by the staffs and the ultimate result is losing customers and the losses in revenue.

Between 1999 and 2003, the carrier's fleet did not increase by a single aircraft - during the same period the private carriers' fleet almost doubled to 53. Inevitably, Indian Airlines' market share declined, from 100% in 1994 to 40% by 2004 and just 20% by 2007.

## Background of IA

Indian Airlines is one of the prime airlines in India. It is based in Mumbai and focuses primarily on domestic routes, along with a few international services to neighboring Asian countries. The airline is state-owned and also

administered by the Ministry of Civil Aviation. Along with Air India, it is the flag carrier of India. The airline came into existence by the enactment of the Air corporations act in 1953.

It has been renamed as 'Indian' on December 7th 2005. It started with about 99 aircrafts and was the outcome of a merger of sorts among several former independent airlines. In 1964, Indian Airlines moved into the jet era with the introduction of Caravelle aircraft and also inducted a Boeing 737-200 in early 1970. In a fresh wave of deregulation, nine new independent airlines were launched in India in the early 1990s. Vayudoot, the state-owned feeder airline, itself collapsed in 1993. On 1st March 1997 Indian Airlines became a Public Limited Company.

Presently, it has about 70 aircrafts including Airbus A300, Airbus A319, Airbus A320 and an ATR-4. Some of the foreign destinations that are included in its directory are Kuwait, Singapore, UAE, Qatar, Thailand and many more South East Asian countries. This airline was the first to introduce wide-bodied A300 aircraft in the domestic circuit. There are a total of 75 exclusive destinations covered by this airline, 59 within India and 16 abroad.

#### HR Issues

When the government open up the sky by privatize the industry, one of the start-ups, East-West Airlines, offered such attractive wages that they prompted a pilots' strike at Indian Airlines in December 1992 during the winter tourist season. Indian Airlines had 570 pilots at the time, making an average of Rs 30, 000 (\$962. 00) a month. The airline lost Rs2. 11 billion (\$64. 34 million) for the year. Chairman and managing director L. Vasudev

had been hired in July 1992, filling a position vacant since the previous chairman had resigned due to the handling of yet another strike.

Mr. Vasudev also resigned in May 1993 blaming the aviation ministry for undermining his authority. Russy Mody was named chairman of both Indian Airlines and Air-India in late 1994. He resigned two years later, also citing a lack of authority. During 1998 both Indian Airlines and Air-India were losing money and needed to restore their aging fleets by the end of the year, the Civil Aviation Ministry had dismissed a joint board of directors from the two airlines.

All of the chaos happened because of:

- The recruitment process
- Job analysis in IA was not done by scientifically
- Performance appraisal and reward systems were not scientifically done

Findings

- Lack of proper manpower planning
- Underutilization of exiting manpower
- Without proper scientific analysis
- Increased staff cost during 1994-98
- Unnecessary interference by the Ministry of Civil Aviation •Unscrupulous methods use
- Strikes, go-slow agitation and wage negotiations
- In 1993- 46 days strike by pilots
- Unethical (false) medical claims
- Pilots didn't work overtime even though they got more money •Maximum number of employees per aircraft

- Lack of government decision policy
- Unethical practice of service on productivity linked incentives
- 30 full time directors and their retinue of private secretaries, drivers and orderliness

## SWOT ANALYSIS

### STRENGTHS

- Large fleet.
- Experienced staff.
- Adequate infrastructure and large network.
- People are loyal towards the national carrier.
- Government Backing.

### WEAKNESSES

- High overheads and huge workforce resulting in lower output.
- Attitude of the staff (The Unions)
- Political/Bureaucratic unnecessary interference.
- Indian Airlines has its socio-economic responsibility of catering to the inaccessibility areas at subsidized rate affecting operational expenses.
- Job security too high.

### OPPORTUNITIES

- Tourism industry is gaining momentum.
- Induction of new aircrafts on lease.
- Response to some of the promotional fares (schemes) is encouraging.
- Shelving of the privatization plans of Indian Airlines by the Government of India.
- Weakening of the dollar rate in comparison to the rupee.

## THREATS

- Perception of the better product in comparison to that of the competitor
- Recent world events hitting the tourism industry badly
- Increase in the capacity of various airlines
- Falling market share of Indian Airlines to that of Jet Airways

## Recommendation

From 1997, to till now IA had only emphasized on distribution, with marketing as a non-issue. Since the company was faced with increasing competition, lack of resources and mounting losses, it had to formulate and implement scientifically proved HR strategies. The best way to prevent union strike is to work with the union and develop policies that avoid a clash between companies and its employees. Unions in projects is different, unions in large corporate is different. We can contain and curtail the strikes in corporate offices but containing it plants need some analysis.

1. Check was there any change in the Head of HR department
2. The earlier head was removed or retired or left on his own
3. Union leaders are locals or outsiders
4. Were there any simmering issues which were pending for a long time?
5. The earlier agreement is due for re negotiation?

1 and 2 are most important to find the reason and reactions. 3 are to know how the outsiders involved in the local union and so we can divide the union. 4 and 5 – it is always better to keep the process of the negotiations on the go, and try throwing the ball in their court as far as possible instead of

keeping the issue pending with company. And have discussions, deliberations and best method is to divide the employees into department wise - by telling them that it is for close contacts with the all employees.

### Implementations

To implement the decisions taken during the mid 2001, IA followed steps stated below.

1. As the first step free and frank discussions with a cross section of the employees were held. Top management undertook extensive tours of all stations to communicate the details and vision behind all major policy initiatives and to get their response to them.
2. Focus on training of personnel was enhanced to increase effectiveness.
3. A greater transparency was built into recruitment and transfer policies with a view to boosting their trust and confidence.
4. In interactions with unions and Associations a firm but fair attitude was taken.
5. Productivity Lined Agreements, where the inflows exceed the outflows despite the fact that market wages were being given, were entered into.

### Conclusion

Airports are the primary infrastructure facility that a country has to offer to the international travel. The case 'Indian Airlines' HR problems', examines the causes of the HR problems faced by Indian Airlines. The case reveals how poor management and stubborn work force can drive a monopoly into losses.

The case also throws light on other lapses such as poor canteen management and payment of excessive allowances.

The case is so structured as to enable students to understand why and how Indian Airlines was constantly plagued by HR problems. The students should be able to see how the pilots and other workers used arm-twisting tactics to get IA to agree to all their demands. The case also provides insights into how IA's lackadaisical handling of its HR problems contributed to the overall mess that the airline found itself in.