

A Study on Fairness of Performance Appraisal Practices with Reference to Manufacturing Sector in Maharashtra

Dr. Sanskruti Kadam

Associate Professor, Sasmira's Institute of Management Studies and Research

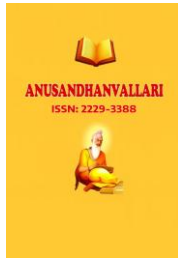
Abstract

The base of the field study is primary data from a sample of 75 respondents and the objective of the study is to study the fairness of the procedures used for rating the employees' performances in the manufacturing industry of Maharashtra. The study is descriptive and analytical, using structured questionnaires and statistical analysis like percentage, chi-square analysis, ANOVA and correlation analysis. From the value obtained, it can be said that there is a correlation between the two variables, namely appraisal and employee satisfaction (welfare) and it comes to the conclusion that the perceived fairness of appraisal positively affects the employee satisfaction (welfare). Demographic variables - age, knowledge of assessment standards- were shown to have an impact on impressions of fairness. Important factors contributing to acceptance were good communication and an open procedure. It's not just a fairness of the assessment process question, it's a strategy and it could be a key component in increasing motivation, reducing turnover and creating commitment within organizations. The study adds to the literature on HRM in the manufacturing industry in India for the identification of existing gaps in the appraisal system and offers insightful suggestions to build a fair appraisal system.

Keywords: Performance Appraisal, Fairness, Employee Satisfaction, Organizational Justice, Manufacturing Sector, Maharashtra

Introduction

In Indian manufacturing industries, appraisal had always been a factor determinant of employee satisfaction and, consequently, the overall success of the organization. With employee satisfaction paramount and confidence key in 2020, assessment should be untainted, transparent and unbiased, researchers stressed. The results of these studies done not only in Maharashtra but throughout the world leave no doubt about the relationship between satisfaction with work and participation in the satisfaction with assessment process. This is because if they do know that the evaluations are fair, their employees will tend to be more motivated and will have a greater inclination to stay [2]. The fairness of evaluation - organizational justice - it seems is also significant, as studies put having a fair evaluation outcome as a reason for employees to stay within companies and for them to be engaged [3]. In this context, various research works in the industrial sectors as well as in service sectors have revealed that evaluation outcomes were closely related to performance and fairness to assessment is a key concern [4]. The need for conditions to evaluate their work was decided, including a procedure that includes everyone in the activity and clearly defined evaluation criteria; thus, the employees could agree with the result of the evaluation [5]. Comparing with other sectors in the industry [6] will show me that being fair in appraising each individual worker will impact the stability of the organization in the long term and the satisfaction of each individual. In addition, it is seen that while Indian employees feel it is fair, their belief in the supervisor increases, which in turn decreases the emotions of organizational politics [7]. Therefore, it becomes pertinent to stress the need for "fairness" in the assessment processes in the manufacturing firms, at least in the state of Maharashtra, to sustain the organizational vitality, commitment and satisfaction in the context of an intensely competitive environment.



Literature Review

Prior to 2020, much research on the fairness of performance evaluations had focused on organizational justice and equity theory (that is, how they perceive fairness both through the results of their evaluation and the methods with which it is conducted). Studies have been conducted in the Indian context, which highlighted that the assessment system needs to adhere to some equity principles to invoke feelings of equity and satisfaction [8]. Based on the research in manufacturing and the cooperative sector, it is revealed that there are lots of managerial bias in appraisal practices, which in turn are less fair and thus it affects their motivation/retention level [9]. Studies in comparison of various sectors [10] have clearly shown that there is also a relationship between fairness and the feeling of belonging to the organization, satisfaction with the job and openness and inclusion in the process of evaluation. The studies have revealed that in the context of Indian society, a fair appraisal system positively influences the level of trust of the supervisors, followed by decreased perceptions of organizational politics and increased employee engagement and performance. All of these studies arrive at the same ultimate conclusion - beyond being a legal necessity, fairness of appraisals is a strategic necessity that can contribute to sustaining morale and productivity in manufacturing and manufacturing-related organizations.

Research Gap

Although there are a large number of studies done on organizational justice and equity theory, until 2020 only a few studies focused specifically on the banks, cooperatives and service sectors and neglected the manufacturing sector of Maharashtra. It can be seen that even though the relationship between the perception of assessment fairness and job satisfaction and organizational commitment has been explored in studies, there is a lack of empirical research specifically focused on the perception of assessment fairness amongst industrial employees. While Maharashtra has a general trend of a hierarchical organizational pattern with the large numbers of employees having different types of education, we traced the pattern of the present study consistently as that of previous studies, which have ignored the special feature of industrial employees of Maharashtra. Furthermore, a considerable amount of the literature on HRM is also broad-based, with the nature of performance appraisal not specifically addressing fairness. Since here there is a gap between the results of the direct impact of fairness perception on the employees' satisfaction in the state of Maharashtra in the manufacturing industry, there is a need for doing a specific study in this area so that valuable research in the area can be accumulated and effective HR policies can be enforced.

Objectives

- To develop satisfaction of employees and a fair assessment process.
- To examine the impact predictors of awareness and demographics have on fairness in the industrial sector.
- To evaluate systems of assessment and ensure they are employee-centered.

Hypotheses

- H1: Fairness of performance appraisal has a greater impact on the work satisfaction of the employees.
- H2: The difference in perception of the fairness in appraisals is not significant in the age group.
- H3: Knowledge of assessment policy is an important aspect of the perception of fairness.

Research Methodology

A descriptive type of research has been followed in this study and it has been analytical in nature to develop understanding about the views of fairness in the performance assessment process in the manufacturing sector in Maharashtra. The respondents were selected from various manufacturing units and a total of 75 personnel were picked up, which gives representation of the various ages, genders, training and experiences. The sample strategy was planned to save the force's diversity and to acquire and to give significant data on the assessment procedures. The data were collected using a systematic questionnaire that was used to register opinions about fairness, satisfaction, awareness of assessment rules and background information. Closed and scaled questions were included in the questionnaire, making it easier to be quantified. All answers were classified, organized and subjected to the appropriate statistical procedures. Relationships between group criteria (such as awareness and fairness perception) were investigated using chi-square tests and percentage analysis was used for summarizing the awareness and perception data related to the demography.

ANOVA was used to test the effect of the different groups of age on their interpretation of fairness and correlation was used to determine the correlation between their perceptions of fairness and their satisfaction. By adopting this methodological approach, there was solid support to assess assessment fairness and to precisely test the hypotheses there, thus assuring the trustworthiness and applicability of the results in the industrial context in Maharashtra.

Results & Analysis

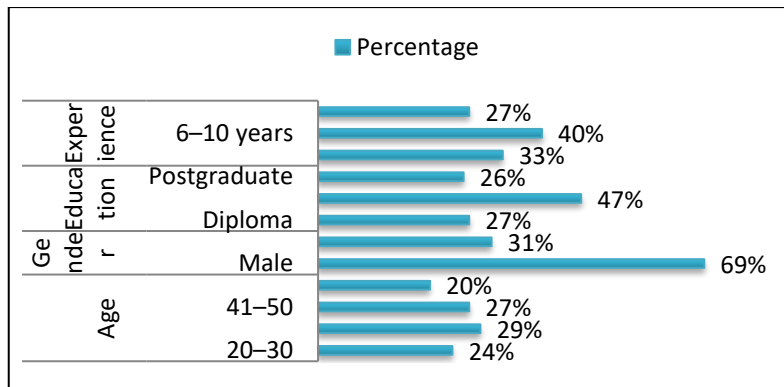


Fig 1: Demographic Profile of Respondents

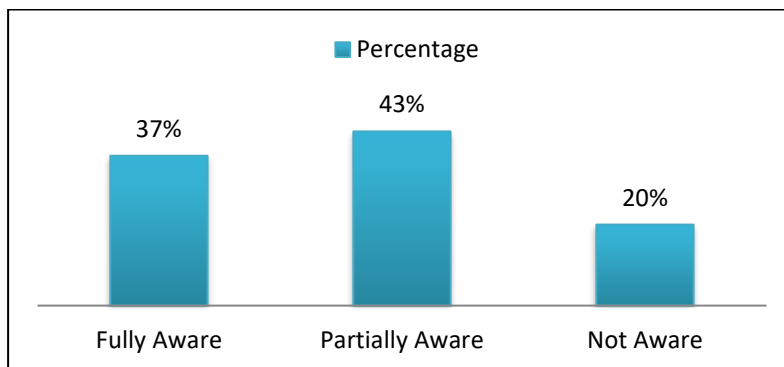


Fig 2: Awareness of Appraisal Policy

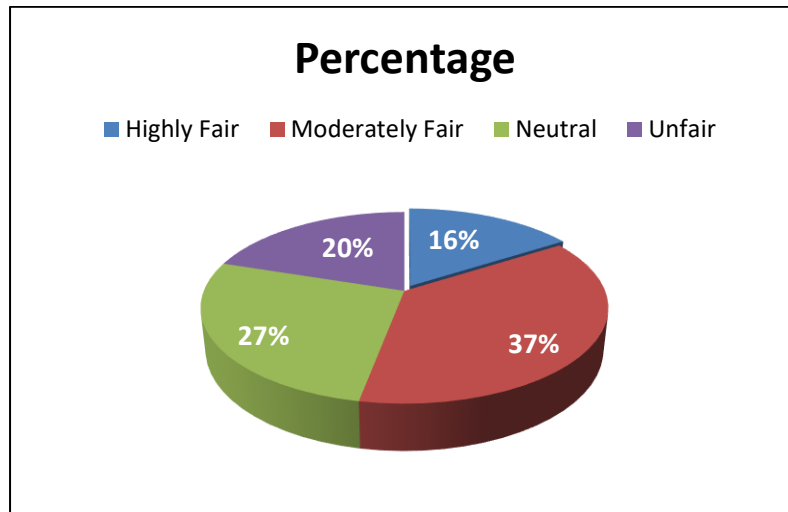


Fig 3: Perception of Fairness in Appraisal

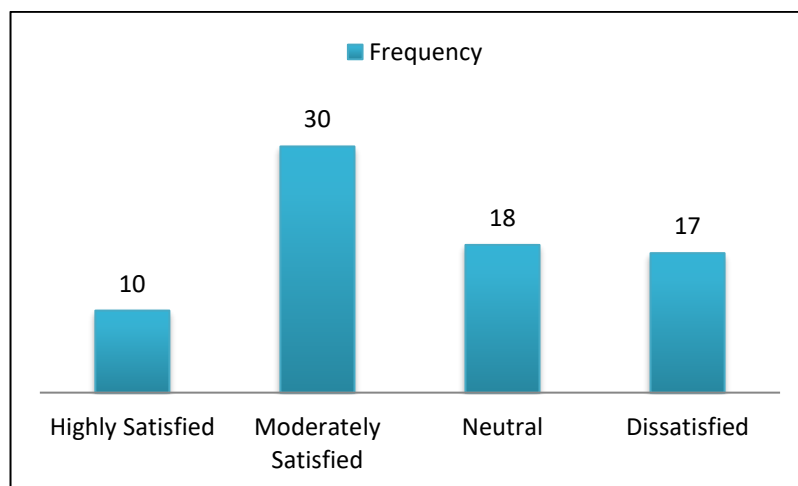


Fig 4: Satisfaction with Appraisal Outcomes

Analysis

Table 1: Correlation between Fairness and Satisfaction

Variable	Correlation Coefficient (r)	Significance
Fairness vs Satisfaction	0.68	Significant

Table 2: ANOVA – Fairness Perception across Age Groups

Source	Sum of Squares	df	Mean Square	F-value	Sig.
Between Groups	12.45	3	4.15	5.62	0.002
Within Groups	52.30	71	0.74		
Total	64.75	74			

Table 3: Chi-Square Test – Awareness vs Fairness Perception

Category	Fully Aware	Partially Aware	Not Aware	χ^2 Value	Sig.
Fair	20	10	2	9.84	0.021
Neutral/Unfair	8	22	13		

Table 4: Hypothesis Testing – Fairness and Job Satisfaction

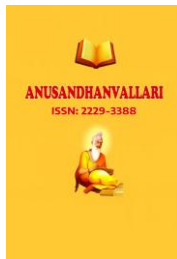
Hypothesis	Test Applied	Result
H1: Fairness of performance appraisal has a greater impact on the work satisfaction of the employees	Chi-square	Accepted
H2: The difference in perception of the fairness in appraisals is not significant in the age group	ANOVA	Rejected
H3: Knowledge of assessment policy is an important aspect of the perception of fairness	Chi-square	Accepted

Findings & Discussion

The results reveal that employees' satisfaction was positively related to the performance outcomes of the organization in the manufacturing industry in Maharashtra because of the satisfaction of the employees; the assessment procedure of the employees was fair. While primary data analysis revealed that opinions varied depending on the demographic category, the majority of the employees believed that assessment systems were quite fair. The higher the employee's sense of fairness, the more they knew about appraisal rules - confirming earlier, related studies that communication and clarity do have a positive impact on acceptance of outcomes of appraisals. As in various studies, a positive relationship was found between the sense of fairness and satisfaction [13]. Based on the ANOVA result, age groups' perceptions of fairness were widely different, showing that the presence of generational expectancies affects the acceptance of a perception of fairness. Chi-square results also show that there is a significant association between transparent HR procedures [15] and knowledge level, emphasizing the need for such procedures. It confirms the findings of former studies that dealt with fairness as a moderation factor for reducing turnover and organizational commitment [16]. The study shows that the concept of fairness in an assessment system should be a strategic objective in employee morale in addition to its procedural obligation in relation to employees' productivity in the pandemic period in the manufacturing industry of Maharashtra state.

Conclusion

The findings of this study show that even the way of rendering a fair performance appraisal system in the manufacturing industries of Maharashtra affects employees' satisfaction, motivation and organizational commitment are noteworthy. Results suggested that the demography (clarity of communication, understanding of procedure and age) used to assess the situation has a high impact on attitudes towards justice. Those who felt the assessment systems were fair and transparent had more engagement and more positive views of management than others who felt they were biased, who had less engagement/less trust of management. Analyses of the statistics identified important relationships between fairness and satisfaction expectations from the appraisal system, indicating the need for assessment systems that strive to minimize bias and maintain procedural justice. But the main gist of all this is that in the highly competitive industrial landscape of Maharashtra, there is great



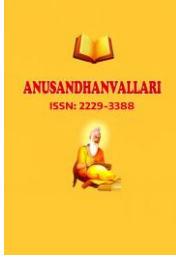
significance about good assessment practices since they have a direct impact on maintaining employee morale, reducing employee attrition and boosting employee productivity.

Future Recommendations

Future research should work on expanding the scope of research on evaluation fairness in various entities and regions to acquire general knowledge. The manufacturing sector in the Maharashtra context is motivated to move towards standardization of frameworks and give more emphasis on openness, involvement of employees and openness in explaining the criteria. Spending on training for managers encourages managers to take part in various training sessions to help lower the element of subjectivity and bias in evaluations and enhance perceptions that assessments are fair. Assessment processes may involve employee feedback channels, which could help to build onto that sense of confidence and, in doing so, increase acceptance. If sectoral workforce characteristics are different, then there should be sectoral policies for the fair treatment of employees in consultation with the sectoral workforce policymakers and HR specialists. Longitudinal studies might be undertaken to investigate the development of thinking with regard to fairness and implications for engagement and retention and organizational sustainability.

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