

Case Code 35

### **35. Is Small Beautiful (F)?**

At morning 8.45 am, on July 1, 2008, the Director got a frantic call from the Chief Administrative Officer (CAO) informing that there is a commotion at the main security gate and that some local union leaders of different political parties alongwith village panchayat head were blocking the entry of newly appointed security and housekeeping service providers and not allowing the material and equipment they had brought for providing the services. The CAO said the union leaders and panchayat president want to come to settle the matter. He expressed apprehension that there is likely to be a law and order problem and something could happen.

“It had to happen when you are on the spot”, Director murmured to himself, “it is not a new thing. Earlier also a similar situation which led to major court case cropped up and he was there at 10.00 am even though it was an off day (being Saturday) and he was told that there was need to come next day, when he asked on previous day whether he would be needed next day”. The Director however told the CAO not to worry and that he will reach office in ½ hour. But he would not meet union leaders as they have no locus standi to mediate”. “Something must have gone wrong in the award of service contract and process of implementation” the Director thought.

#### **Background of the Case**

A day before the event, the CAO had informed the Director that something may happen because the staff was apprehensive of new service provide. He, however, did not give any other details mentioned above, which he knew while negotiating as a part of the tender evaluation team and later while discussing with the two contractors. The Director asked the faculty to contact the District Collector (who happened to be his classmate) for necessary help if the need arose.

Most of the security staff were local people in the vicinity of the Institute. When the Institute was formed, the state government had acquired the land and given to the institute. Some additional land was acquired by the institute to meet the requirements of approach road, water pond etc. When the phase I was complete, and the institute shifted to its own campus in 2003, some of them requested that they may be given jobs. The Institute needed security and cleaning staff. They were encouraged to form a society and then given contract. However, within two years, by 2005, it was observed that some office bearers had started indulging in wrong practices, favouring friends, acquaintances and local union people in recruitment of additional staff, when the new buildings were completed. Alarmed by such reports, the new Director who took over charge in 2004, decided to award the security and housekeeping contracts through open tender. Lots of obstacles were put by the officer - in-charge of state department, who was on contract, including allegedly leaking the tender received information to some parties, who sought stay order from high court, even before the tender evaluation committee had examined the tenders and drafted report. The Director asked the committee to proceed undeterred and select the most appropriate contractor as per the rules. The committee did a nice job and the tender was awarded to XYZ Coop. Society, who was found to be the best one.

Over a period of time, the security and housekeeping staff incrementally went up to 120. The Institute was growing at fast pace, increasing every existing academic activity and adding new several ones. A new classroom complex, a faculty block, two new hostels, a commercial plaza were added, and three faculty residences were converted into Guesthouses. At every such addition the CAO asked for increasing the security and housekeeping staff. The Director never accepted the request in toto and pruned the request. He felt that expenses were steadily increasing and pushed hard to contain the

same. But since the institute was too small to attract any national agency to provide security service in this tiny town, fairly isolated from the mainland of the country. (see the case, Is Small Beautiful ( A ) & (B) for details). Added to the problem was the “openness” of campus by design given by the architects. Campus was located on two hills and each building was an independent and exposed one. On the other hand, the campus had developed a reputation of being the most beautiful, neat and tidy campus among all the comparable institutions, which discouraged any arbitrary and drastic reduction in security/ housekeeping staff, unless better methods of security and housekeeping were put in place.

The new agency (XYZ) recruited staff from the old society and locals from the vicinity of the Institute, hardly anyone had the background of military or paramilitary forces, nor looked like security guards by conduct. Most of them were nice people, but of late many new recruits were observed to be regular absentees, less serious, more comfort seeking. At night, some of them were alleged to be sleeping but since senior officers stayed outside campus, there was no senior staff for surprise checks. Under the circumstances, the Director felt the award of contract to national agencies though a bit more expensive per person, but would increase efficiency and quality due to more professional agencies handling the security and housekeeping operations. The CAO, however, did not seem to be very happy with the arrangement and cautioned the Director that the arrangement may not work. Some faculty members were of the view that it was because of benevolence of CAO which also helped in certain increase in staff.

### **Contract Terms Responsible for the Chaos**

The Director on reaching the office tried to talk to the village panchayat chief who was respect figure, but he refused to come alone without outside union leaders, which Director refused. The Director called CAO and a faculty who was member of contract evaluation committee. There was no solution in sight with CAO only talking that he had cautioned that new method of fresh tenders would create problem and that Director had unnecessarily involved faculty members in the contract award process, instead of leaving it to him. The Director was not convinced just as a week ago, the Chairman of the Institute’s governing board had asked him to investigate the charges leveled against the CAO by an external party.

The Director felt he could not hope any solution from CAO as he has been dealing with contractor earlier and had led to this crisis through withdrawal of earlier party who had agreed to renewal at 10% increased but backed out. The faculty member said there seems to a major communication gap between the Institute and Security/ housekeeping staff. He felt that if Director intervened, the matter would be resolved. The Director, however, wondered what he could do and how to cut the ice.

“Frankly there were tense moments, although it is difficult to believe it today. We were apprehensive that if the political parties governed external unions, (each one of whom wanted to have control over these workers) instigated them, anything could happen because of mob frenzy. The state is the notorious for hartals every month, when no one feels safe to go out during hartal period. At the same time, we felt that if we succumbed to the pressure of outside unions, we will never be able to handle the matter properly ever in the future”, said the Director.

On reaching office, the following facts were brought to his notice.

1. The L1 Security service provider (ABC Ltd) had quoted a sum of Rs. 1,91,000 p.m. on the basis of 60 security guards instead of 81 persons engaged earlier, while the L2 earlier service provider (XYZ Coop. Society) had quoted Rs. 2,33,000 for 81 persons. The new service provider (L1) believed that adequate security could be provided with 60 people only and 81 people were not required.

2. The new housekeeping service (L1) provider Upgrader Services had quoted on the basis of 25 persons at a total contract value of Rs. 1,61,000/- .They believed that the present workforce of 40 persons used by L2 contractor that was providing service for last three years (comprising 40 regular and 7 leave vacancy staff, not authorized by the Institute) was too much and quality of service was also not upto the mark. They believed that with 25 people, Upgrader can provide better quality cleaning and house keeping service through mechanized cleaning using vacuum cleaners than cleaning by broom and mopping.
3. The Committee that had examined both the tenders had observed the two new service providers had better experience as they were providing service in several states of India while L2 was providing service within the state only.
4. The L2 service provider had agreed for extension of service for the year 2008-09 also, with a 10% increase in 2006-07 rates, when the existing contract was considered for renewal, but later backed out asking for 50% increase in labour rates stating that workers have been influenced by local political unions, who want to make inroads in the Institute. The Institute could not agree to it and invited fresh tenders. The L2 contractor had then abandoned the place all of a sudden.
5. The L1 contractor for housekeeping and cleaning had brought 13 new persons on its own and given a list of 12 persons out of the 39 old workers for inclusion in its workforce..
6. In all thus, the L1 contractors of the Security and the House keeping staff had indicated that they will engage 72 (60+12) of the old workers than 120 (81 + 39) deployed by XYZ Coop. Society who was L2 contractor for both the tenders and had indicated deployment of all the 120 old workers.
7. The new security and housekeeping contractors had informed the security supervisor on the late evening of June 30<sup>th</sup> and therefore all the old workers when they cam for work on 1<sup>st</sup> July morning were shocked and protested. They invited local unions to help them, who were only too willing to exploit the opportunity.

The opinion of CAO, the faculty member and the Director was unanimous that “we can’t allow to be dictated by outside unions. As it will do a longtime damage to the Institute”. The Director then asked the CAO to call the Police Inspector, who was of the view that the use of force could lead to situation getting out of control. “But we can not let the outside unions command the affairs of the Institute.

Director then called the new contractors. They expressed their unwillingness to accept all the staff; saying that it will jeopardize economics of their operations and their headquarters would not agree.

In the meantime, Director tried to seek guidance and help of Ministry of Human Resource Development. But unfortunately no senior person was available immediately due to a major discussion with a foreign delegation. The Director then briefed the situation to the Chairman of the governing board and asked help from the Ministry of Home Affairs to arrange CISF force for the campus.

The Director was wondering what to do. On the one hand the new contractors were reluctant to accept all the existing staff and on the other hand, he too did not want to snatch way bread of 21 security workers’ families, who will surely agitate if sacked enmass, although he also felt there was at least some excess staff and some security staff were not fit to be continued. The faculty member maintained that there seems to be some communication gap created and if the Director could talk to them, it may ease the situation. But the problem was how to do it? The agitating persons were not Institute staff so that Director could speak to them, nor it was possible for him to promise anything, when contractors were disagreeing to accept all the staff. There was another issue also looming large, “how to pay wages to staff for the month of June as XYZ party had left the job on expiry of contract on May 31<sup>st</sup>.

Next day morning the Director enquired from the security guard on duty at his residence as to why they are agitating. The guard explained that workers were agitating because 1/4 of them were going to be out and in housekeeping 1/2 of them were going to lose job. "Indeed", he said, "the number is more. Instead of 47 (eight of whom serve on leave vacancy), only 12, i.e. 25% are going to be retained".

Director was surprised. He asked the guard to call the security supervisor to come to the Director's residence, so that he could get better insights to the issues. Along with him also came the new security contractor. After discussing with him, it was found that:

- (i) Four persons were above 60 years of age who could not be absorbed as per tender terms.
- (ii) 3 other persons could not be allowed as they had other interests. They also served elsewhere and were regular absentees.

Even after discounting these 7, the number was still at 74, 14 more than 60 on the basis of which the contractor had quoted an amount that made his tender lowest.

### **Search for Solution to Resolve the Crisis**

Looking back at the conflicting demands, the Director wondered how creativity could help solve the problem. He believed that the solution has to come from heart and mind both than only latter. It occurred to him that a new hostel was to be completed soon. A large multi-storeyed dining hall was ready for operationalisation and a new students' dining hall was to come up in next three months. Each one of them would need posting of one security guard each, which meant that on 8 hours duty basis, 9 security guards will be required. He offered to compensate for the same. The Director checked the quotation of L2 party and requested Captain Nair to accept Rs. 41,000/- rise in the total amount (which was Rs. 1000) less than L2 party's quotation.. Capt. Nair, representative of ABC Ltd. also agreed to absorb the cost of 5 security personnel from his margin. The contract was valid to be for two years. Capt. Nair also stated that he would ensure quality of service and anybody found non-serious, or unfit or engaging in dereliction of duty will be dealt with severely.

A draft agreement was then faxed to the Chairman of the governing board, who approved it in 1/2 hrs. At the end of the day, the agreement with the new service provider was signed. Next day each of the security guard was given a formal written offer by ABC Ltd., stating the terms of appointment.

There was still a catch- How to pay wage to the security staff for the month of June. The old service provider (XYZ Coop. Society) had abandoned the whole operation and did not show up for whole of the month, a point which was not brought to the notice of the Director. The wages was due on 7<sup>th</sup>. The Director waited on 8<sup>th</sup> and ordered for release of wages on 9<sup>th</sup>. CAO refused initially to take the money for paying the same. Later, he accepted it and a staff assistant, Mr. Vikram was asked to pay the wages.

"These things would have been avoided" said the Director, "if the Chief/Senior Administrative Officers had not ignored the Office Order issued two years ago, assigning the security and housekeeping responsibility to the staff assistant Mr. Vikram".

### **Questions**

- Q1. What was the problem that the Director was facing? What were reasons for the same?
- Q2. How was the solution arrived at?
- Q3. How good or bad was the solution? Are there any long term ramifications of the same? If so what way they can be taken care?