

An Analysis of HRM Issues & Challenges in Manufacturing in India

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Abstract

Four M's i.e. machinery, money and materials and manpower constitute pillars of an enterprise. Where machinery, money and materials resource aspect is of non-living nature, manpower i.e. human resource is of living nature and is equipped with capability to convert the non-living category resources (money, machine, methods and material) in to output (product/service). HRM activities involve procurement; maintenance; utilization and development of workforce. Adoption and practices of HRM in a manufacturing sector are drastically different from service sector. Manufacturing industry refers to those industries which are involved in the manufacturing and processing of items and indulge in either creation of new commodities or in value addition. It may involve a range of mechanical/manual human activity wherein raw materials are transformed into finished goods on a large scale. The final products can either serve as a finished good for sale to customers or as intermediate goods used in the production process. Make in India regarded as a national moment in India is brain child of present NDA Government at Centre. The major objective behind the initiative is to focus on job creation and skill enhancement in certain prominent sectors of the economy with a view to producing high quality standards with minimal impact on the environment. This paper attempts to make an analysis of numerous issues and challenges for HR system in a manufacturing sector in general and Make in India moment backdrop specifically.

Keywords: Manufacturing activity, Industrial relations, Human Resource Management, Make in India.

Introduction

Process of managerial functions of an organization comprises of planning, organizing, staffing, directing and controlling including coordination. Several strategies and techniques are adopted for the effective implementation of the basic managerial functions. Universal application of management process is there for any organization irrespective of facts as to whether it service or product enterprise. Four Ms i.e. machinery, money and materials and manpower constitute pillars of an enterprise. Three Es i.e. efficient, effective and economical management of these make achievement of pre-laid goals of an organisation possible. Where machinery, money and materials resource aspect is of non-living nature, manpower i.e. human resource is of living nature. As a consequence, it constitutes indispensable factor and happens to become the source of achieving competitive advantage for any organization because of its capability to convert the non-living category resources (money, machine, methods and material) in to output (product/service).

However, HRM policies are designed and implemented in the company by the HR people who are responsible for ensuring achievement of desired targets and goals for an enterprise. These policies are formulated by identifying the needs and aspirations of the employees via collecting information from various sources. Specifically, the HR policies pertain to matters like procurement; maintenance; utilization and development of workforce. HRM functions

include organizational activities like Human Resource Planning; Job Analysis; Recruitment, Selection, Placement followed by Orientation/Induction; Training and Development; Performance Appraisal; Compensation Administration including incentives and Fringe Benefits and last but not the least Employee Health, Safety and Welfare.

Both external and internal factors have an impact on HRM policy framework. A brief review is as follows:

External Factors

- **Economic Changes** (due to globalization and resultant international competition traditional HR practices like hiring and compensation diversifying to more HR practices having cross-cultural ramifications etc);
- **Technological Changes** (impacting the way we work, the roles we undertake and the interactions through which work gets done)
- **National Culture** (molding and developing appropriate structure and methods for effective HR practices).
- **Industry/Sector Characteristics** (nature of industry and processes thereof necessitating different HR practices).
- **Legislations /Regulations**(every country having crafted a set of legislative measures for regulating human resource management practices)

- **Actions of Competitors** (with a view to gaining a competitive edge or a lasting and sustained advantage over competitors in view of volatile market system)
- **Action of Unions** (the presence or absence of unions in organizations)
- **Globalization** (HRM practices being more prone to local cultural influences to be modified with a view to making them workable)

Internal Factors

- **Organisation Size** (determine the requirements for a separate HR department)
- **Organisational Structure** (affecting flexibility and integration of manpower)
- **Business Strategy** (gaining competitive advantage)
- **Human Resource Strategy** (from intensity and diversity point of view)
- **History, Tradition and past practices** (to generate resistance to change)
- **Top Management** (its support being indispensable in designing and implementing HR policies)
- **Line Management** (being responsible for creating value)
- **Power and Politics at Workplace** (exhibited by peers; subordinates and superiors alike)

These factors as a whole tend to affect (directly or indirectly) employee's attitude, employee- employer relations, financial performance, employee productivity etc. which ultimately contribute to overall corporate performance.

Objectives of Study

It is a matter of fact that nature of activity of an organisation plays a definite role as far as HR practices to be undertaken are concerned. Adoption and practices of HRM in a manufacturing sector are drastically different from service sector. As a consequence, the very nature of activity plays a decisive role in determining HRM functions. The instant article is an attempt to scan multiple issues and challenges of human resource management particularly in factory enterprises.

Manufacturing in India: A Bird's Eye View

Manufacturing activity involves use of machines, tools and labour to produce goods for use/sale. Manufacturing industry refers to those industries which are involved in the manufacturing and processing of items and indulge in either creation of new commodities or in value addition. It may involve a range of mechanical/manual human activity wherein raw materials are transformed into finished goods

on a large scale. The final products can either serve as a finished good for sale to customers or as intermediate goods used in the production process.

Manufacturing industries came into being with the occurrence of technological and socio-economic transformations in the Western countries in the 18th-19th century. This was widely known as industrial revolution. It began in Britain and replaced the labour intensive textile production with mechanization and use of fuels. Manufacturing industries are the chief wealth producing sectors of an economy. These industries use various technologies and methods widely known as manufacturing process management. Manufacturing industries are important for an economy as they employ large number of people and possess a cumulative effect in employment generation.

In a free market economy, manufacturing is usually directed toward manufacture of products for sale to consumers at a profit. In a collectivist economy, manufacturing is more frequently directed by the state to supply a centrally planned economy. However, in a free market economy, manufacturing occurs under some degree of government made rules and regulations. However, for firms engaged in manufacturing activities, adoption of cost leadership is a main strategy used in order to save costs in every possible way to stay ahead of competitors.

Manufacturing in India got a renewed push with Make in India campaign recently in September 2014. Dominating spirit behind this moment has been conviction to see India as an emerging force as most competitive destination in global space because of its young manpower advantage. Make in India regarded as a national moment in India is brain child of present NDA Government at Centre. Main aim of initiative launched by the Government of India is to encourage national as well as multi-national companies to manufacture their products in India. It was launched by Prime Minister Narendra Modi on 25 September 2014. The major objective behind the initiative is to focus on job creation and skill enhancement in certain prominent sectors of the economy with a view to producing high quality standards with minimal impact on the environment. Make in India hopes to attract capital and technological investment in India and focuses on the twenty-five sectors of the economy viz: Automobiles and Automobile Components; Aviation; Biotechnology; Chemicals; Construction; Defence manufacturing; Electrical Machinery; Electronic systems; Food Processing; Information Technology and Business Process Management; Leather; Media and Entertainment; Mining; Oil and Gas; Pharmaceuticals; Ports and Shipping; Railways; Renewable Energy; Roads and Highways; Space and astronomy; Textiles and Garments; Thermal Power; Tourism and Hospitality and Wellness. All these sectors develop human resource in a considerable way.

An enabling eco system has been created to facilitate Make in India campaign. Amongst various steps, foreign equity caps in various sectors had been relaxed. The application for licenses was made available online and the validity of licenses was increased to three years besides relaxing various other norms and procedures. As per the new Govt. Policy 100% FDI is permitted in all the above sectors, except for space (74%), defense (49%) and news media (26%).

Goal Posts of Make in India

- To increase and facilitate Foreign Direct Investment in India and convincing Indian and Foreign companies to produce their goods in India;
- To generate new employment opportunities in India;
- To attract flow of foreign capital in Indian economy;
- To help create a demand of skilled and trained people in specific sectors to satisfy the demand for well equipped manpower in different sectors of economy;
- To help build and improve the brand name of India in global landscape.

India has been and is rich in natural resources with limited exploitation potential. It is because of these handicaps that country failed to keep pace with other manufacturing nations in world like China, Germany etc. The vision behind Make in India is to use India's untapped potential to develop its industrial sectors. India is blessed with labour advantage which is available in plenty. India ranks low on the ease of doing business due to numerous factors. Outdated labour laws and over regulated Governance in India are certain factors hindering business houses in India as well as abroad shy away from making investments in India.

HR Issues and Challenges in Manufacturing

Practicing HR in a manufacturing plant is drastically different than in an office and accordingly issues and challenges for practicing HR system in a manufacturing sector are drastically different from service sector. Most prominent issues to be addressed by HR people in former pertain to matters which may, inter alia, include:

- **Procurement of Manpower Issues.**

Recruiters in manufacturing sector are specifically finding it tough to attract skilled manpower due to various issues. Prominent amongst these pertain to contemporary high boom of Information Technology Industry and consequent demand for IT Professionals. It may be due to the fact that there exists a deficient infrastructure near most of the manufacturing units and it is difficult to attract good manpower to these units. As per unconfirmed data, 80% of workforce in manufacturing firms is working as contract labour. Absence of permanent and secured working tenure issues do affect Make in India campaign.

- **Nature of Work.**

Some of the most noticeable differences between working in an office and a manufacturing facility are the working conditions. HR professionals in manufacturing plants are exposed to a variety of noises, smells, temperatures, work hours and depending on the processes-dirt. Avoiding these conditions may be neither possible nor desirable. HR people are required to spend a major part of day on shop floor. In an office environment, if there's a work or non-work related problem, employees approach HR people, whereas in manufacturing, HR people goes to them with a view to addressing these problems. For instance, in factories engaged in day-night working, allocation of workforce for all three shifts needs a balanced approach on part of HR department with a view to ensuring minimum absenteeism, avoiding overlapping from economic, efficient and effective utilisation of both people and machinery. Processes of manufacturing required to be compatible with environmental laws of land is another area of concern for HR department of manufacturing organisation.

- **Communication.**

Getting out on shop floor is important because communicating with manufacturing employees is another challenge for HR professionals. For starters, you can't just send a mass e-mail informing employees of the new retirement plan because most perform physical jobs on shop floors. Moreover workforce being semi-literate, they are least ICT modes savvy. This fact places greater demands on HR in communicating with manufacturing employees. For instance, an HR professional talking to line workers about various employee related issues like varied leave matters, shift working, hours of work, weekly offs, holidays etc. eligibility may have to take extra efforts to make the labourers understand and abide by.

- **Health, Safety and Welfare.**

Manufacturing activity is Dirty, Dangerous and Difficult and hence is characterized by three D syndrome. There goes a saying that a healthy body is more productive. As manufacturing activity is dirtier, there is ever felt requirement to keep workplace neat and clean. Health provisions as stipulated in Factories Act, 1948 (SS.11-20) are minimum benchmarks to be complied with by factory organizations. HR department of factory organizations to whom the Act is applicable are bound only to comply with these provisions and submit its compliance report to Factory Inspectorate of the area.

"Safe workplace returns more profits" is a research based adage of industrially advanced world. SS.21-41 of Factories Act, 1948 requires covered factory organizations to make their workplaces safe. As a consequence, HR professionals in manufacturing activity are bound to take safety of employees very seriously. They spend a great deal of their

time creating awareness amongst employees regarding varied safety practices. Where employees are to be sensitized to operate the machinery and equipments, they have to train employees on safety issues too. Besides, obedience of safety instructions and wearing of safety gadgets while working is also to be ensured with a view to avoiding accidents and resultant absenteeism. In case of accidents, affected employee is to be provided post-accident medical treatment and care. Reporting of accidents to authorities is another job to be performed by HR people. For the purpose of avoiding its reoccurrence in future, the reasons for same have to be investigated too. Moreover, employment of Young persons, Adolescents and Women are to be ensured as per provisions of Act. In nutshell, HR people have to work with policy makers and government to make better safety norms and policies to avoid numerous casualties and health hazards.

Labour welfare is one of the subject matter of HRM. Concern for welfare of labour has been expressed by Dorabji Tata thus: "The welfare of labouring class must be one of the first cares of every employer. Any betterment of their conditions must proceed more from the employers downward rather than be forced by the demands from below, since labour contented, well- housed, well- fed and generally well looked after, is not only an asset and advantage to the employer, but serves to raise the standard of industry and labour in the country."

SS.41-50 of Factories Act, 1948 makes it obligatory for factories to provide welfare measures. As per S.50 of Act, it is compulsory for factories employing 500 employees to employ Labour Welfare Officer whose qualifications, duties and responsibilities are to be stipulated by appropriate State Governments. Therefore, Labour Welfare Officer happens to be a statutory official whose duties are to ensure legal compliance of Factory Act etc. Labour Welfare Officer constitutes line functionary in HR department. So, issues as regards welfare of labourers in factory organizations are another responsibility of HR department in manufacturing organizations.

- **Labour/Employment laws.**

India got independence in 1947 and adopted a parliamentary form of government. The Preamble to the Constitution wedded the Indian system of administration to a Welfare State which strives to look after the lot of all, particularly the needy and have-nots of society. With a view to putting Indian economy on road of faster development, the Government of India went in for mixed economy, co-existence of Public and Private sectors and embarked upon Five-Year plans to implement its mission of economic development. In light of this reality it laid down a number of labour laws to deliver socio-economic justice as enshrined in the Preamble to the Constitution. In India, all laws

emanate from the Constitution of India. Under the Constitution, labour is a concurrent list subject, i.e. both the Central and State governments can enact labour legislation, with the clause that the State legislature cannot enact a law, which is repugnant to the central law. Labour laws in India can be categorized under three categories:

- 1) Protective and Employment legislation;
- 2) Social Security legislation;
- 3) Regulatory legislation.

The first category includes such Acts as Factories Act, 1948; Minimum Wages Act, 1948; Payment of Bonus Act, 1965; Payment of Wages Act, 1936. The second category has Acts like Employees' State Insurance Act, 1948; Payment of Gratuity, 1972; Employees' Provident Fund and Pensions Act, 1952 can be seen. The Industrial Disputes Act, 1947; The Industrial Employment (Standing Orders) Act, 1946; and The Trade Union Act, 1926 can be regarded as Regulatory legislations.

It was in connection with Make in India mission that certain reforms in labour laws were required to update legislative system to address the need of the hour and to make them more effective and contemporary to the emerging economic and industrial scenario. Accordingly, Ministry of Labour & Employment have of late has taken several reform initiatives, both legislative reforms as well as Governance reforms through use of technology, to reduce the complexity in compliance and bringing transparency and accountability leading to better enforcement of the Labour Laws. These initiatives, inter-alia, include:

- Enhancing the ceiling of wage limit for the purpose of eligibility for Bonus and for the purpose of calculation of Bonus as Rs. 21,000/- per month and Rs. 7,000/- per month respectively by amending the Payment of Bonus Act 1965.
- Prohibition of employment of children below 14 years in all occupations and processes through amendment in the Child Labour (Prohibition & Regulation) Act, 1986.
- Extending the coverage of Employees State Insurance by increase in the wage ceiling from Rs. 15000/- per month to Rs. 21000/- per month.
- Enabling provision under the Payment of Wages Act 1936 for payment of wages through Bank accounts.
- Launching of unified Shram Suvidha Portal for allotment of a Unique Labour Identification Number (LIN) for establishments, filing of self-certified and simplified Online Annual Return and a transparent Labour Inspection Scheme through computerized system

- Portability of Employees Provident Fund accounts through Universal Account Number (UAN)

Whether or not the company is unionized, HR professionals in manufacturing need to be equipped with requisite knowledge of varied labour/ employment laws. Creation of institutional arrangement of Labour/Employment laws has been because of the fact that on attaining independence, India adopted role of a Welfare State. Fundamental freedoms have been granted to Indians for growth and development albeit certain restrictions. Conduct of business anywhere in any part of country, though a fundamental right is permitted subject to fulfillment of certain specific rules and regulations as specified in various Labour/Employment laws. HR managers have to comply with numerous legal obligations. In the process, they have to deal with numerous officials of Government Labour Department including Labour Judicial Officers. For instance, provisions of Industrial Employment (Standing Orders) Act, 1946 makes it obligatory for industrial establishments with minimum 100 workers to get the terms and conditions of employment formally certified from appropriate government authorities. Getting them formally certified is one of the challenges before HR departments. Filing of annual returns under numerous Labour Laws, representation of management before legal authorities in industrial disputes proceedings, ensuring compliance with anti-pollution laws are certain activities of HR Personnel of Manufacturing enterprises.

- **Trade Unions.**

Unlike office environments, many manufacturing facilities are unionized. HR Procurement; Maintenance; Utilisation and Development practices are likely to be undertaken in a different perspective. For instance, management of a factory may have to enter into an agreement with recognised trade union to fill/upgrade a particular percentage of positions on the recommendation of trade union. As per S.9-A of the Industrial Disputes Act, 1947 industrial establishments are duty bound to give advance notice of 21 days to registered trade union/unions to ensure introduction of new technique, new work shift etc. to get them on page with a view to having smooth sailing. Moreover, sometimes in determining parameters performance appraisals of labourers prior consent of Trade unions as regards performance parameters have to be ensured.

- **Collective bargaining.**

With a view to maintaining industrial peace, managements of manufacturing organizations may be resorting to face to face negotiations with recognized trade union/joint representative body (in case of multiple trade unions) wherein certain agreements for a particular duration are entered into. As, negotiations are not one time affairs and are ongoing activity by its very nature (interpretations and compliance point of view), that makes it to be an issue of

prominence in itself. For holding face to face negotiation , where HR department undertakes onerous task of equipping venue with befitting disturbance free physical ambience, on the other hand during marathon sessions HR managers act as ice breakers in an eventuality of deadlock situation.

- **Employee-Employer Relations.**

Henry Richardson views “Industrial Relations as the art of living together for the purpose of production. It refers to the activity whereby the owners of the means of production (employers) and those of methods of production (employees)—decide the terms and conditions at which the latter will work for the former. It is a dynamic activity and takes place in the continuously changing socio-economic environment of the modern age thereby meaning any agreement reached on terms and conditions of employment remains temporary”

Similar views find an echo in V.B. Singh to whom “Industrial Relations is a set of functional interdependence involving historical, economic, social, psychological, demographic, technological, occupational, political and legal variables”

As compared to service sector, manufacturing sector employs comparatively illiterate/semi-literate workforce. As a consequence, the Employee-Employer relations issues become more challenging which, more often than not, are more rudimentary in nature. For efficiently resolving these issues, HR professionals need to be more vigilant and diplomatic in addition to devoting time to value-added HR activities.

Conclusion

An organization's human resource management strategy is ought to maximise return on investment in the organization's human capital and minimise financial risk. It seeks to achieve this by aligning the supply of skilled and qualified individuals and the capabilities of the current workforce with the organisation's ongoing and future business plans, requirements to maximise return on investment and secure future survival and success.

HRM practices refer to organizational activities (like Zero defect Procurement including rightful placement; Maintenance comprising of appropriate remuneration systems; Utilisation accompanied by 360 degree performance appraisals and Development involving latest training and learning measures) directed at managing the pool of human resources and ensuring that the resources are employed towards the fulfilment of organizational goals. HRM practices get affected by external factors like Economic Changes; Technological Changes; National Culture; Industry/Sector Characteristics; Legislations /Regulations; Actions of Competitors; Action of Unions;

Globalization and internal factors like Organisational Structure; Business Strategy; Human Resource Strategy; History, Tradition and past practices; Top Management; Line Management; Power and Politics at workplace. These factors affect, directly or indirectly, other variables such as employee's attitude, employee- employer relations, financial performance, employee productivity etc. which ultimately contribute to overall corporate performance.

However, issues and challenges for HR system in a manufacturing sector are drastically different from service sector. Most prominent areas to be addressed by HR managers in former pertain to issues which may, inter alia, include Negotiations with trade unions in case of unionized workplace (interpretation implementation, compliance etc.); Concerns about workers safety (training employees on safety procedures, investigating accidents etc.); Nature of Communication network (talking to line workers about family and medical leave etc.); Blue-Collar Employee Relations Issues (being less educated workforce, issues found often more rudimentary) and Distinct nature of activities in manufacturing sector (process- specific noises, smells, temperatures, work hours etc.)

Times are changing and change being constant, the ways of undertaking works are bound to change. To be successful in the current rapidly-changing world, we need to maximize the productivity of all of our resources -- physical, financial, information and human resources. A goal of HRM is to improve the performance of organisations in general and manufacturing enterprises in particular by maximizing the efficiency and performance of people with a view to having competitive advantage in contemporary Liberalized, Privatised and Globalised world.

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