



HUMAN RESOURCE MANAGEMENT IN INDIA: A STUDY OF THEORETICAL PRACTICES

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Abstract

The Human Resource Management (HRM) debate as such, that seems to have concluded especially in the UK, almost never started in India, though trade unions remained very critical of globalization policies as they have been hard hit by it. This is symptomatic of the state of HR as an one of the most important academic discipline, which had not developed on a large scale. The IR academics, on the other hand, remained busy arguing for the promotion of genuine collective bargaining which was believed to be hindered by the compulsory adjudication system. But the new thinking in HR domain did travel through the MNCs route. So far as HR teaching was concerned, this necessitated introduction of new courses and updation of the existing ones by the faculty members concerned. Most business schools and university departments (except the top ones), however, are still in the process of devising innovative courses in this area, knowledge of which is necessary for realizing the goal of professional excellence in people management; in reality the basic HRM course for general MBA students is still functional HRM including training and development (or old personnel management with minor adjustment). Courses in strategic HRM are taught in top business schools even as HR managers in many private sector professionally-managed organizations in the country are using the modern methods and interventions of HRM. This research paper is to be critically analysed about the **“Human Resource Management in India: A Study of Theoretical Practices.**

Key Words: *Human Resource Management, Strategic goals, Organisational Behaviour, Management of Problems, Business Administration, Employ development.*

Statement of Problem

“Human Resource isn’t a thing we do, it’s the thing that runs our business”

Steve Wynne

A familiar American Business Magnet

The meaning of Human Resource Management is plan, coordinate and direct the administrative functions of organization. The National Commission for Enterprises in the Unorganized Sector (NCEUS) has estimated that the total employment in the country in the year 2014–15 was 557.5 million. Of these 494.9 million were in the informal/unorganized sector, and 72.6 million were in the formal/organized sector (Government of India, 2016). In 2017, the total workforce in the country is believed to be around 500 million. Of the total workforce those employed in wage employment was about 15 per cent in 2014-15. About 60 percent of the workforce is engaged in agriculture and the remaining 40 per cent in the non-agriculture sector. The second National Commission on Labour (NCL) has estimated that only 5 per cent of the workforce in the age group of 20-24 years has acquired some kind of a formal vocational training (Government of India, 2017). This percentage in case of most developed countries ranges between 60 to 80 per cent.

India is rich in both natural and human resources, even as it faces tremendous challenges in its efforts to enhance economic growth and development. It is estimated that around 160 million people (comprising of 31.40 million households) are in the middle class, which is becoming larger with the liberalization of the Indian economy. This class is also viewed by the developed countries as an important market for exporting their goods from a long-term point of view. The country has multiplied its foreign direct investment (FDI) several times over since adopting the New Economic Policy (NEP) in July 1991, but is still far behind its neighbour China and countries in South-East Asia in this regard. It is estimated that there are now over 15000 multinational firms operating in India and this number is increasing rapidly. The country started liberalizing its economy in July 1991 when its foreign exchange reserves reached a dangerously low level; the new model has saved the country from any worry on that count. In December 2011 these reserves stood at 296 billion



US dollar. The new model also led to exponential rise in its annual GDP growth which in the past decade has ranged between 6 to more than 9 per cent. This along with other changes in the economic environment has made India an FDI destination for global firms. India is now projected to become the world's third-largest economy in dollar terms within the next 20 years or so as per the global investment banking and securities firm Goldman Sachs; others like Citibank Financial have still better projections for the country.

As global firms seek success in their Indian operations, and as Indian firms reach a higher degree of professionalism in the global context, they have to make critical decisions related to people management models as strategic choices. This will necessitate the appreciation of the factors which influence HRM policies and practices in the Indian context, and the challenges that HR function faces. These factors, among others, include availability of requisite skills and competencies, required mindsets, desired values and customs, facilitative legal framework and institutions, and cultural environment for promoting excellence. These factors are the products of a country's socio-economic and political realities. A comprehensive understanding of such realities and insights helps a fuller comprehension of the HRM model of a country (Budhwar and Sparrow, 2002a).

HRM A Theoretical Perspective

One of the first companies to have adopted formal concern for labour in India is the Tata Iron and Steel Manufacturing Company Ltd (now known as Tata Steel; presently, this company is also the leading Indian multinational company). The emergence of the personnel function in India is attributed to the appointment for the first time of labour welfare officers by this company in 1920; others followed suit much later. Interestingly, provisions similar to those provided by the Cadbury in Britain were provided by the Tata group in India in around this time.. One of the earliest labour legislation in the country emerged in the form of the Trade Unions Act of 1926, which gave formal recognition to the workers' right to form unions. The Royal Commission of Labour 1931 recommended the appointment of labour welfare officers, and the Factories Act of 1948 made that mandatory in all factories employing 500 or more workers. Around the time when India got independence in 1947 and immediately after that a number of pieces of labour and industrial legislation were enacted which led to managing the labour legislation as an important area of activity for personnel managers. The Industrial Disputes Act 1947 (IDA) formed one of the most important areas of labour legislation, which envisages a conciliation-adjudication-arbitration model of industrial disputes settlement. It provides for compulsory adjudication of industrial disputes--both rights and interest. Though compulsory adjudication system was a second World-War legal instrument used by the British to contain industrial conflict during the war time, it was formalized by the British Indian government by incorporating this concept in the IDA, in April, 1947. Despite much debate and controversies in post-independence India, the system still survives even in resolution of interest disputes; and there are no signs of its replacement by a less-regulated collective bargaining framework of the western type.

After independence, in the 1950s, two professional bodies related to the personnel function emerged. The Indian Institute of Personnel Management (IIPM), a counterpart of the Institute of Personnel Management in the United Kingdom, was formed at Calcutta and the National Institute of Labour Management (NILM) at Bombay. Since 1960s onwards, massive case law on labour legislation emerged which added considerable legal complexity to the personnel management function. In 1960s, the personnel function also began to expand beyond the welfare aspect with three areas of labour welfare, industrial relations and personnel administration developing as the constituent roles for the emerging profession. In 1970s, the thrust of personnel function shifted towards greater organizational 'efficiency', and by 1980s it began to use and focus on terms such as organizational development (OD) and human resource development (HRD). The two professional bodies i.e. IIPM and NILM merged in 1980 to form the National Institute of Personnel Management (NIPM) at Bombay. In nineteen nineties and later, HRD became the main focus of the personnel function apart from the existing focus on IR especially in larger companies. But this was seen mainly as a tool for improving business performance. The vigorous efforts by some academics helped in popularizing the concept of HRD both amongst academics and practitioners. Programmes of HRD and organizational development (OD) at the individual enterprise level in public as well as private sectors are being adopted. The formation of "The National HRD Network" in 1985 was a landmark even in the history of HR evolution in the country. In February 2012 it had a membership of 12500 members



that included HR and other managers as well as academics. It is the largest forum of debating HR interventions that has definitely helped sharpen abilities of HR professionals, as also benchmarking the best HR practices by different firms. On the above date, there were 30 regional chapters of HRD Network in different parts of India. Even as this forum has been named HRD Network for historical reasons, for all purposes its activities include all areas of HRM including industrial relations. Since nineteen nineties can also be witnessed elevation in the status of personnel managers to the board level; though only in professionally-managed organizations. There has also been a massive upsurge in re-labelling the title of personnel managers to HRD managers or HR managers, and personnel department as HRD or HR department. Simultaneously, due to the adoption of globalization as also the adoption of new technology considerable downsizing took place in the last decade of the 20th century. This gave rise to the need for the measurement of HR performance. The concept of HRD scorecard is being used and now several metrics are being used as devices to measure effectiveness of people-development activities.

The fast growing Indian economy has created a pressure on the Indian HRM function to become more creative and innovative. HRM profession promises to commit itself to improve the efficiency and engagement of the human resource, get better results and improve industrial relations. This highlights, among others, the role of training and development and team or group HRM activities. Due to such changes the use of terms like talent management, employer branding, competency mapping, performance management, leadership development, alignment of HR strategy with business goals are now being talked about or are seriously implemented especially in leading private sector organizations as also taught by leading business schools.

HRM in India

The long rule of the British in the country promoted feudalism, inequality and hierarchy amongst the urban as well as non-urban Indian population. The caste system in the country too has also played a contributory role in promoting hierarchy and inequality. The family-owned business houses made full use of the inculcation of these societal values in practicing a kind of neo-feudalism in industry. This is reflected in the organizational structures and social relations which reflect hierarchy, status consciousness, power distance and low individualism. These values have helped strengthen hierarchical superior-subordinate relationship which acts as a kind of a mechanism of social control on the employee.

Studies have shown that Indian managers attribute high priority to the importance of cultural assumptions which guide their employees' perceptions and organizational thinking. It is also revealed that the common Indian values, norms of behaviour and customs exercise considerable influence on their HRM policies and practices. Indian social and cultural environment puts primacy on strong family ties that dilute individualism, resulting in greater dependence on others. This highlights the importance of interpersonal relations in people management in India, more than the importance given to it in other societies. The core bases of the management system in social and family relationships can then be attributed to various factors including a strong caste system, agrarian based society, high incidence of illiteracy, poverty and indifference of the state system to the needs of the individual.

Nevertheless, on the same lines as the above analysis, other researchers report that on an average Indians resist change, hesitate to delegate, or even accept authority, are fearful of taking an independent decision, are possessive towards their inferiors and frequently surrender to their superiors. A possible explanation for such behaviour can be traced to the long imperialist history of India. Similarly, the traditional hierarchical social structure of India has always emphasized respect for superiors, who can be elders, teachers or superiors at work, i.e., the nature of Hinduism evidenced by the caste and social system. From the above discussion, it can be deduced that the Indian societal culture has made a lasting impact on most management functions such as staffing, communication, leadership, motivation and control. Staffing for top managerial positions among Indian organizations (especially in the private sector) is generally restricted by familial, communal and political considerations. Authority in Indian organizations is likely to remain one-sided, with subordinates leaning heavily on their superiors for advice and directions. Motivational tools in the Indian organizations are more likely to be social, inter-personal and even spiritual.



HRM Framework in India

The hallmark of the Indian IR is massive state presence in it through the Industrial Disputes Act, 1947 (IDA). This Act empowers the “appropriate Government”, in its discretion, to refer an industrial dispute for adjudication either on failure of conciliation or even without any resort to conciliation. Apart from the IDA, two other laws form part of the IR law in the country i.e. the Trade Unions Act 1926 (TUA) and the Industrial Employment (Standing Orders) Act 1946 (IESOA). The TUA confers on workers freedom of association and provides to unions immunity against civil and criminal liability for conspiracy in taking industrial action. The IESOA seeks to ensure standardization of the terms of employment and their certification by a Government officer, who is obliged to satisfy himself that they are just and fair. These set of laws were intended to facilitate realization of individual and collective rights of workers.

Promoting industrial growth with social justice has projectedly guided the IR policy of the Indian government. Towards this end, apart from providing a facilitative legal framework, the Central Government has effectively used an institution called consultative tripartite conference for promoting industrial peace. This is called the Indian Labour Conference (ILC) that brings together representatives of employers, labour and government to its meetings that are held annually since 1940. One of the most notable non-legislative initiatives in IR came from the Government in 1958 as a result of the deliberations at this forum in the form of the Code of Discipline and the Joint Management Councils. These instruments were to be used as a formal basis for recognition of unions and facilitation of collective bargaining. However, the impact of these bodies was merely transitory (Johri, 1998: 49); and they have now almost petered off with the passage of time. Legal means and interventions continued to dominate the IR scene in the country; though lately, collective interest disputes rarely come before the adjudication machinery due to considerable fear in the working class of the rising managerial prerogatives in the neo-liberal world. Labour is now more prone to accepting the unilateral decisions of the employers regarding pay and benefits, especially in the private sector.

But by conferring the working class rights and individual labour rights, these laws, along with others, did succeed in creating working class consciousness in the country. They led to a situation of clash between workers’ aspiration and employers’ willingness to grant benefits. Being a labour surplus economy, the country’s labour market realities helped the employers to obtain cheap labour and violate minimum labour employment standards by colluding with the labour bureaucracy. But the IDA model - which could not be replaced or even diluted despite considerably long debate on its fate - substantially diluted collective labour rights by ensuring massive state presence in IR to control labour power. It resulted in juridification of IR (Saini, 1999; 1997). Its influence has been so strong that labour arbitration as a method of industrial disputes resolution in the country is almost dead. Employers manage IR, among others, by diluting the efficacy of IR laws through consultation as well as adoption of extra-legal means. Variegated unfair labour practices (ULPs) are committed by them in the process, and even by workers/unions. Over the years the pressure of unions, opposition parties and other pressure groups, and union federations have succeeded in influencing the state agencies to enact a large number of labour laws. One finds the situation paradoxical and perplexing. On paper, even industries which have become sick beyond hope are required to comply with these laws, including payment of minimum wage and minimum bonus. In reality the system works such that employers have learnt to get away with these legal requirements. However, MNCs and other conscientious employers want an IR framework with simpler laws that do not require them to indulge in maneuverings and shenanigans. By and large, the IR law framework in larger organizations adversely affects the cause of forging workplace cooperation so as to meet the challenges of HRM in responding to the changed needs of industry in the era of globalization.

HRM Indian Democracy

Being a democracy, India has at least a seemingly union-friendly legal framework of IR. The compulsory adjudication system of the IDA has kept the unions weak. The first two decades after the independence witnessed rapid unionization of the organized sector in the country (both private and public). But unionization in India started declining after the famous Bombay Textile Strike which lasted more than a year and has not been officially withdrawn till today. This has brought a sea change in the concept of collective bargaining, which is less and less on industry basis and more on



unit basis. Membership of unions that are submitting returns is still low; as per the latest estimates it is barely 4 per cent of the total workforce; the total trade union membership as per the latest estimates is about 20 million in a aggregate workforce of around 500 million in 2011. This is despite the fact that in the 1970s and 80s the judiciary delivered several judgments in the area of industrial relations and other labour laws which reflected its attitude of extreme sympathy with the working people and less to the basic principles of industrial organization. However, in the present economic environment some aspects of the existing legal framework is required to change its strong pro-labour stance. Lately, some of the recent labour judgments reflect the belief that the judiciary is more sympathetic with the employers and realizes the need for efficiency, discipline and productivity in the new environment. Presently, there is reduced workers' resistance to employers' change initiatives, despite patches of working class success in resisting the individualization of IR through HRM. Interestingly, in contrast to national firms, the impact of unions on the HRM policies and practices of MNCs operating in India is negligible. Overall, however, workers' stance is slowly changing and becoming more cooperative towards their employers.

It has to be also admitted that the liberalization of the Indian economy has put tremendous pressure both on the employees and employers. As a nation, India is lagging far behind in productivity standards and production of quality goods. These realities have begun influencing the mindsets of unions and union leaders, who now seem to be meekly giving in to the legitimacy of the globalization agenda, as they are aware of these burning problems. In such circumstances, the possible consequence of the adoption of appropriate HRM policies is likely to be salutary. They will lead to minimum wastage of human and financial resources at the micro level. Their adoption will also give due importance to professional activities as per market exigencies. But, values of "association," "industrial justice," "workers' dignity" will face crisis; "minimum standards of employment" are also getting clouded due to the unofficial support of the state to cost-cutting preferences of employers that are hidden in the globalization agenda. But being a democracy the country cannot openly adopt policies that disapprove of these IR values.

Diluting "workplace pluralism" as a value by superimposing HRM on it may work successfully if we have a significant chunk of workforce as gold-collared. The merger of HRM and IR agenda can possibly work effectively in such a situation. If that can happen, one can also forecast greater possibility of the use of HRM as a broad model of workplace justice. Some of the best examples in this regard are most software companies in the country, which have used empowerment HRM as a model of workplace justice, which automatically keeps the law and adversarialism away. The viability of the use of soft HRM as the principal philosophy in managing human resources increases in case of such companies which employ knowledge workers. However, without question this will be too much of an asking from firms which do not have knowledge workers. Nevertheless, to a great extent this is successfully practised in many MNCs operating in India, irrespective of having knowledge or non-knowledge based employees (see Budhwar and Bjorkman, 2003). It needs a macro level of overhauling of the Indian HRM system, which has made quite some progress so far. Still, India has to go a long way in this direction.

Going by the way the Indian government has reacted to the situation; the continuance of its sympathy to the cause of social justice in the organized sector appears only remote. This is despite the fact that there has been no labour law reform at all in the post-liberalization era. This may appear surprising to the champions of globalization. But principally, Governments' unwillingness to effect labour reforms in the past decade or so is largely explained by their fragility at the central level; they have not shown the courage to antagonize the trade unions openly by undertaking these reforms. Interesting as it may appear, most employers have been able to manage the show despite the archaic laws. However, there is always a limit to everything, including the regulatory laws for workplace functioning. An amendment has been recently made to the IDA in 2010, but it has not touched at all the controversial parts of the labour legislation that the Congress government had promised in 1991 while announcing the new economic policy.

At the executive level, State governments' attitude has changed considerably. Many of them have announced far-reaching changes in their labour policies, which henceforth appeared sacred cow in favour of workers. Now they tacitly support: hire and fire policies; forbidding of *bandhs* as happened in the case of Kerala; and easing of requirements for labour inspection, for example, in Rajasthan. West Bengal government (which was till recently headed by a Marxist



Party) during its regime cancelled registration of hundreds of unions for non-submission of returns to the Registrar of Trade Unions, which is contrary to its earlier position. The incidence of granting permission for closure and retrenchment (as required under the IDA) in Tamil Nadu has gone up, thus reflecting the new thinking amongst the states.

Business Directions for HRM in India

In the present competitive business environment the Indian HR function faces a large number of challenges. Many of these are discussed above. To survive and flourish in the new dispensation, drastic changes are required at the national, organizational and individual levels. Some of these seem to be taking place, though possibly not with the required rigour and not quite in the right direction. One serious problem while making such judgements and analysis is the availability of reliable empirical research evidence. On the basis of the available information and our own experiences, the following observations can be made:

The above section highlighted some of the main national factors which significantly influence HRM in India. Early indications suggest that the nature and accordingly the impact of most of the national factors (especially different institutions such as trade unions, legal framework, and the dynamic business environment) on Indian HRM is going to change. The legislations have to be amended so as to suit the present economic environment and help both workers and employers in the 'real' sense. The stance of unions is further expected to become more co-operative. The dynamic business environment is further going to dictate the nature and type of HRM systems suitable for the country. With the rapid developments in the software and IT enabled services (ITeS) sector and an increased emphasis on business process outsourcing (BPO), one can expect the emergence of sector-specific HRM patterns. Research evidence regarding the strategic nature of HRM in Indian national firms suggest that there is a low representation of the personnel function at board level, and few organizations have devised formal corporate strategies. Of these, a handful seem to consult the personnel function at the outset (this compares to a norm of around 50 percent in European organizations), many involve personnel in early consultation while developing corporate strategy and many also involve personnel during the implementation of their corporate strategy. Of course, the status of the personnel function in India has improved in last two decade or so. The number of personnel specialists moving to the position of CEO has increased over the last few years. On the other hand, it seems that Indian firms are witnessing a significant devolvement of responsibility of HRM to line managers. One can notice this in the areas of pay determination, recruitment, training, industrial relations, health and safety and expansion/reduction decisions. Moreover, Indian firms have been showing an increased emphasis on training and development of HR. However, if a strategy of devolvement is not associated with a closer integration of HRM into the business planning processes, it may create a situation of chaos in organizations as they attempt to cope with HRM implications of liberalization. Hence, the way forward is the adoption of a more strategic approach to HRM.

What need to be done

In the present competitive business environment radical changes are taking place, and it is difficult to keep a track of many such changes. The new economic environment, although presents a number of threats to local firms, it also offers many opportunities to learn, collaborate and change to suit the new context. To make the best use of the existing conditions, Indian firms need to be flexible and demonstrate readiness to change. Regular interaction with competitors and relevant stakeholders is becoming a necessity in the modern networked organizations. In this regard, a lot can be learnt from HR managers working in MNCs operating in India who are open and flexible in their approach to managing human resources. For example, a research investigation with 65 top HR managers in as many foreign firms operating in India reports that local firms are more rigid to change, less transparent in their operations, providing less learning opportunities and operating on traditional ILMs. However, the HR managers also perceive that the scenario is rapidly changing and such a gap between the working of MNCs and local firms is going to decrease in future. This should be one of the main agenda for Indian firms. The liberalization of economic policies, globalization realities and the operating practices of foreign firms will all put pressure on Indian firms for a more professional performance. The increasing number of Indian students graduating from the developed countries and going back to India will also contribute a great deal towards resorting to a greater degree of professionalism by visionary Indian firms.



Summing Up

Some of the developmental key challenges before the Indian state include streamlining the working of the unorganized sector and providing a workable model of competency and skill development at the national level. This is corroborated by the setting up in May 2008 of the National Skill Development Corporation (NSDC), which is one of its kind public-private partnerships (PPP) in India. And the hitherto adversarial model of employee justice dispensation promoted by the present legal framework is getting weakened due to the change in the attitude of the social partners; but at the same time several instances of workers' wild responses to industrial conflict are visible in the recent past, which certainly establish that the possibility of disruptions in employee relations is far from over. Many companies are putting primacy on proactive management of employee relations, beside their other strategic HRM priorities. If HRM function grows fast it can help in diluting or even altering the hurdles created by the existing cultural realities to facilitating professional excellence. MNCs are expected to contribute towards a still faster dawn in India of the era of strategic HRM as a way of organizational life.

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