

IMPACT OF START UP INDIA INITIATIVE ON HR PRACTICES OF MANUFACTURING SECTOR

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Abstract: *Start Up India, Stand Up India plan a flagship program launched by the central government has initiated many new steps for the growth of all sorts of business in coming months .It includes many facilities for the new ventures as well as exemptions from various legal provisions and formalities. These attempts are aimed to provide boost to the growth of the economy as well as generating gainful employment in various sectors of our economy.*

All of these measures are going to change the work culture of the companies in all their functional areas. Human resource practices are also going to be changed. Traditional system of working is not going to help the effectiveness of HR department. Besides labour management system is also going to be affected to a great extent. This paper tries to understand the intricacies and implications of Start Up India plan on human resource management system of manufacturing units established across India. This paper also tries to find out the impact of relaxation from implementation of various labour laws provisions and self certification rights granted to the units covered under Start Up India Program on Labour Management Relations.

Key Words: *Human Resource Management, Manufacturing Units, Start Up India, Labour Laws, Gainful Employment.*

INTRODUCTION

The Prime Minister of India, Mr. Narendra Modi, has made an initiative to place India on the world map as a manufacturing hub and give global recognition to the Indian economy. The Government of India has set an ambitious target of increasing the contribution of manufacturing output to 25 per cent of Gross Domestic Product (GDP) by 2025 from 16 per cent currently.

India's manufacturing sector could touch US\$ 1 trillion by 2025. There is potential for the sector to account for 25-30 per cent of the country's GDP and create up to 90 million domestic jobs by 2025. Business conditions in the Indian manufacturing sector continue to remain positive. (IBEF). In the backdrop of this significance of manufacturing sector the challenges in different domains of human resource management in the same sector has been studied and analysed.

With the upsurge of global economy and trouble times ahead, the role of HR managers is continuously evolving. With the advancement of technology and

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globalization on the rise, the conventional HR practices are being replaced with modern approaches.

HR Managers who were previously confined to routine old age practices of handling basic employee data to record keeping are now exposed to evolving nature of diverse workforce complexities. The continuously changing major HR practices with special reference to the manufacturing sector in India can be discussed under the following broad areas:

Talent Acquisition

Talent acquisition is a strategic approach to identify, attract and on board top talent to efficiently and effectively meet dynamic business needs. The term Talent Acquisition (TA) is often used synonymously with Recruiting. However, these two are very different phenomenon. Recruiting is a subset of Talent Acquisition, and includes the activities of sourcing, screening, interviewing, assessing, selecting and hiring.

With the increase in the number of manufacturing Start Ups in India, the conventional talent acquisition practices should be replaced by modern approaches such as competency based recruiting practices so that only the best talent is recruited which can contribute to successful establishment of the start up. As the start ups will have a challenge to establish themselves and create their individual separate identity by providing the best products/services, attracting the best talent from the skilled applicant pool will be given prime importance but in a country where it is really difficult to get skilled professionals who are job ready, identifying such candidates will be a tedious task for the start ups.

Social networks like LinkedIn, Facebook and Twitter have emerged as main non-conventional methods of sourcing. Advancement in technology has enabled organizations to convey relevant information to potential candidates by attaching job descriptions or other relevant information and will continue to do so. As far as Indian job market is concerned, Tier II and Tier III cities, given their unique combination of low-cost and scalable talent pool, and breadth and depth of available skills, will emerge as the second most popular non-conventional destinations for sourcing.

Employee welfare

Employee welfare is an area of social welfare. It covers a broad field and connotes a state of well-being, happiness, satisfaction, conservation and development of human resources and also helps to motivation of employee. The basic purpose of employee welfare is to enrich the lives of employees and to keep them happy and satisfied. Welfare measures may be both Statutory and Non statutory laws require the employer to extend certain benefits to employees in addition to wages or salaries.

A major challenge for the industry is to demonstrate its contribution to the welfare of current generation without jeopardizing the need of future generations for a better quality of life. With the globally competing firms, it is essential for the start up units to initiate innovative employee welfare methods to attract and retain the talent. Many organizations have already introduced innovative employee welfare measures such as Flipkart's Adoption Assistance Program, InMobi's no cap on travel expenses, no access cards or security checks for employees, covering in-laws under employee's family medical insurance and concierge service to employees that includes even laundry and Education enterprise software startup Foradian Technologies offers its employees unfiltered internet at work. Schemes like Flexi Place and Flexy Time can be introduced into the HR policies of the start ups to keep employees motivated. Therefore, adaptation to innovative welfare schemes will be an important factor in the success of start ups.

Performance Management

Performance Management System is defined as a systematic and ongoing process which allows the management to continuously monitor and evaluate the employees against their predetermined targets and hence improve the organizational effectiveness. Employee information collected through Performance Management System is used for competency mapping, monitoring, promotion, development and rewarding etc. Performance Management is intertwined with Human Resource Management such that a constant drive for results is inculcated among employees through more involvement and contribution.

Performance management basically deals with the challenges which organizations face in defining, measuring and enhancing employee performance with the ultimate objective of improving the organizational performance.

Creating a very stringent performance management policy will be disastrous for the start ups. In the initial phase, performance norms should be kept bit relaxed for the employees. Designing the Key Result Area's and Key Performance Indicator's should be done with utmost care and the HR department should be well equipped with the knowledge on how to design the Performance Management System according to the organizational needs.

Another challenge will be in the implementation of Performance Management System in its true spirits. The implementation should be done with utmost care. Improper implementation of Performance Management System in organizations often leads to conflicts, absenteeism and demotivating the employees. Therefore in order to manage employee turnover for the start ups, PMS will play an important role.

Compensation

Employee compensation plays such an important role in today's organizations that it is considered at the heart of employment relationship, being of critical importance to the employers as well as the employees. For employers, compensation decisions not only influence their cost of doing business and affect their ability to sell the products at a competitive price but at the same time it influences the employer's ability to compete for talented employees in the labour market (acquiring and retaining). For employees, compensation plays a critical role as a major deciding factor for employment with an organization.

Compensation is going to play a major role in attracting the talent. The compensation plans should be well designed with flexibility options. Flexible benefit plans should be designed to cater the needs of employees at different levels. The challenge is that as a start up firm which is trying to establish itself, competing for providing the best compensation plans will be a bit complex task. Although Modi government has taken some positive measures to help the start ups through 100% Tax exemption for start ups on profits made in first three years but experts say that Tax exemption for start ups is more optical than practical. The reason is that earning profits is a challenge for the first three to five years for start ups.

Talent Development

Talent development focuses on the planning, selection and implementation of development strategies for the entire talent pool to ensure that the organisation has both the current and future supply of talent to meet strategic objectives and that development activities are aligned with organisational talent management processes.

Talent Development strategies play a significant role in identifying those individuals which can be nurtured or developed to become future leaders. Start ups will have the limitations to develop Talent Development systems and create a development oriented culture in the organizations due to lack of expertise and funds. Ensuring that a shared culture of continuous learning is promoted in the organization will be challenging for the start ups but if adopted, it will contribute in talent development which will be beneficial for the start ups in long run. Start ups should focus on all the three areas of Human Resource Development - Organization Development, Career Planning and Training and Development. Adopting new and interesting methodologies to impart training programs such as simulation based training, case study analysis, e-learning at own pace etc. will be a distinguishing factor for the employees to decide on their stay with the organization.

Strategic Alignment

The HR department in start ups should be made a part of the strategic decision making process where they can contribute to designing the organization strategies

and linking it with the efficiency of human capital of the organization. Considering HR as a secondary or support function in this era will contribute to the collapse of the start ups before they are actually established in the market. Now, HR is a part of the board room and it has to be understood very clearly that HR department not only ensures that organizational objectives are achieved through the human capital but also, it plays a major role in ensuring the smooth functioning and good health of the organization. Aligning the individual objectives with the organizational objectives through tools such as Management by Objectives (MBO) and its proper implementation will be essential for the start ups.

Change in Statutory Provisions and Industrial Relations

So many changes have been initiated and many more are in the pipelines which are going to change the employer-employee relations in Industries. This would be manifest in manufacturing sector also. Start up units have been exempted from certain legal obligations like filing of returns and inspection by various state authorities so far as Labour Laws are concerned. These units have been allowed to self certify the compliance of various labour laws applicable to them. The labour ministry has decided to exempt start-ups from inspections related to key labour laws -Including the Industrial Disputes Act 1947, the Contract Labour Act, the Employee's State Insurance Act, 1948, the Trade Unions Act and the Employee's Provident Fund Act and Miscellaneous Provisions Act 1952. "Promoting start-ups would need special handholding and nurturing. Thus such start-ups, as defined by DIPP (department of industrial policy and promotion) may be allowed to self-certify compliance with the labour laws. Start-ups will not be inspected in the first year of their establishment, and in the next two years, they will not be inspected until the central analysis and intelligence unit of the labour ministry verifies a written complaint and advocates any inspection. Till that time, the start-ups will have to self-certify their compliance of labour laws and each of the concerned bodies of the ministry will accept it. Following the labour ministry move, EPFO also wrote to all its field offices to take note of the development at the regional office level. "Start-Ups are allowed to submit self-certified returns under EPF and Miscellaneous Provisions Act 1952. From the second year onwards, up to three years from the setting up of the unit, such start-ups may be taken up for inspections only when very credible and verifiable complaints of violations is filed in writing and the approval has been obtained from central analysis and intelligence unit;" EPFO said in its internal circular. From the prime minister on, all in the government believe that job creation is a key agenda and it has to live up to the expectations of young Indians. These benefits are basically good for manufacturing sector. But the relaxation of this nature may prompt the employers to avoid implementing the statutory provisions which may ultimately lead to industrial unrest. Beneficiaries of all these labour laws are workers hence their interests may be severely affected.

Besides the government has already tried to amend major labour laws for the benefits of employers, it has made it easier for employers to retrench or layoff workers without government approval. Definition of factory has been changed and forming trade unions have been made difficult. Although these changes require approval of the Parliament still the government is going to affect it through backdoor method of Executive Order. Major trade unions have opposed the move and there was a national strike by more than 10 major trade unions in the month of the September 2015 against government move since it has to affect all workers employed in different industries. Some of the state governments have already amended the act on the line of union government. The amendments to the Labour laws in Rajasthan that was proposed by the Chief Minister Vasundhara Raje Scindia had been approved by the President of India. Haryana and Madhya Pradesh have also initiated such move.

These changes basically aim to support new entrepreneurs and to initiate and administer ease of business in industries including manufacturing sector .But one of the important stake holder in all industries are workers and their interest is going to be compromised since in the name of ease of business various social security, welfare, health and safety provisions hitherto available to them may not be available or may be ignored due to Exemption Clause for Start Up Units.

This may lead to bad industrial relations in the long run which is not good for the interests of any stake holder. This will be more prominent in manufacturing industries since they absorb a big number of workers of all sorts.

CONCLUSION

It is thus apparent that Start Up India -Stand Up India is going to affect all aspects of Human Resource Practices prevalent now in manufacturing industries. Talented employees will have to be recruited and retained. Proper performance management system will have to be administered to get the best out of all employees otherwise targets set for such units will not be achieved .Employee Welfare aspects will have to be taken care of keeping in mind the fact that monitoring of the health and safety provisions as per the factory act have been made less strict as per the new policy of the government. Compensation issues are also a major challenge since tendency to outsource workforce will gain momentum and trade unions will no longer be as strong as earlier. Start Up Industries in manufacturing will face stiff challenge from already established units with huge capital base. Hence strategic partnership will prove very beneficial for staying and growing in the market .Here human resource managers can play a very significant role. But the most important aspect of the human resource that is going to be affected is -Employer-Employee Relations. In India employer -employee relations have hitherto been determined by labour legislation and adjudication but now start up industries have been exempted from compliance of statutory provisions related to the same. This has

got a potential to culminate to industrial disputes between employers and employees. This will have to be sorted out.

Human Resource Departments of these start up units will have a big challenge ahead but hopefully they will cope with the challenge.

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