HUMAN RESOURCE MANAGEMENT AND LABOUR PRODUCTIVITY IN MANUFACTURING SECTOR OF ODISHA, INDIA: AN EMPIRICAL ANALYSIS

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ABSTRACT

The aim of this study is to examine the effect of human resource management factors on labour productivity in the manufacturing industries of the state of Odisha, India. A review of the literature enabled us to identify human resource management variables, which are included in wages and salary structure, promotion, education & training, performance appraisal and industry policy & rules. This paper also tries to identify the HRM factors that promote positive impact among the workers as to improve production in the industries on the basis of primary data collected from 500 respondents (male = 300, female = 200), randomly selected in 12 manufacturing industries of Odisha, one of the state of India. The result shows highest percentage of respondents viewed wages and salary structure as the first option to improve labour productivity where as education & training listed as next best HRM factor.

Keywords: Human Resource Management, Education & training, Labour Productivity and work organization
Introduction:
After accepting new economic policy in the year 1991, Indian Economy was subject to severe stress for change in the last two decades. The private sector has faced increasing international market competition while the public sector has endured an extended reform process associated with the privatization and liberalization of economy. Both processes have forced organizations to undertake changes involving reduced work forces and the introduction of new technologies aimed at improving labour productivity. In this regard Industrial sociologists and psychologists gave emphasis on Human Resource Management (HRM). This has changed dramatically in last two decades. Human Resource Management (HRM) is now a major field in labor economics. HRM includes a wide range of activities. The main area of study will focus on incentives and work organization. Incentives include remuneration systems (e.g. individuals or group incentive/contingent pay) and also the system of appraisal, promotion and career advancement. By work organization we mean the distribution of decision rights (autonomy/decentralization) between managers and workers, job design (e.g. flexibility of working, job rotation), team-working (e.g. who works with whom) and information provision.

Review of Literature:
Koch and McGrath (1996) investigated the impact of a set of HRM practices on labour productivity, to find that investments in HR planning and in hiring practices are positively associated with labour productivity. Results suggest that firms that systematically train and develop their workers are more likely to enjoy the rewards of a more productive workforce than those that do not, although this is not framed to take account of the bigger picture. There has been an increasing interest in the employee relations literature on the strategic role which human resource management (HRM) plays within organisational change. HRM is defined as differing from other personnel management approaches because it emphasises “the link between managing human resources and business strategy” and therefore has an “emphasis on the integration of [employment] policies and practices with each other as well as with business strategy” or the development of competitive advantage. A second feature of HRM strategies is that line managers play a key role in the management of human resources and thus the attitudes of senior management towards employee relations is a key variable in determining which regimes will be found in different organisations (Sisson 1994, pp.8-9).
Given the link between HRM and business strategy, it is expected that effective regimes will have a direct impact on an organisation’s ‘bottom line’, particularly through improved productivity, improved quality of work life and by ensuring legal compliance (Kramar, et al. 1997).
Wall and Wood (2005) suggest it is unlikely that there exists a ‘one size fits all’ set of productivity-enhancing management principles or practices. Edwards et al (2004) builds upon this contingency approach, stating that the success of management practices are firm-specific and these are affected by the prevailing institutional environment.

Empirical Support:
This study used Primary data which was collected by distributing questionnaire to the labours of the manufacturing industries of the state of Odisha, India. The sample of the study was consisted of 500 respondents (male = 300, female = 200), randomly selected in 12 manufacturing industries of Odisha, one of the state of India. Before giving the questionnaires, all questions were explained to the participants so they could easily complete the questionnaire and the relevant results. Only one questionnaire was given to each respondent. In the first part of the questionnaire, the nature and the purpose of the work were explained and the assurances of complete secrecy of identity and responses of the respondents were given. Also some background information such as age, marital status, designation was asked.
Particularly, the questions were put to know the degree to which the following parameters like wages and salary structure, promotion, education & training, performance appraisal and industry policy & rules influence labour productivity in manufacturing industries of Odisha.
Table 1: Human Resource Policies Which Influence Labour Productivity (LP)

<table>
<thead>
<tr>
<th>Human resource policy (parameters)</th>
<th>Highly Disagreed</th>
<th>Disagreed</th>
<th>Moderately agreed</th>
<th>Agreed</th>
<th>Highly Agreed</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wages &amp; salary structure influences LP</td>
<td>27</td>
<td>42</td>
<td>75</td>
<td>115</td>
<td>241</td>
<td>500</td>
</tr>
<tr>
<td></td>
<td>5.4 %</td>
<td>8.4 %</td>
<td>15 %</td>
<td>23 %</td>
<td>48.2 %</td>
<td>100%</td>
</tr>
<tr>
<td>Promotion influences LP</td>
<td>55</td>
<td>96</td>
<td>125</td>
<td>152</td>
<td>72</td>
<td>500</td>
</tr>
<tr>
<td></td>
<td>11 %</td>
<td>19.2 %</td>
<td>25 %</td>
<td>30.4 %</td>
<td>14.4 %</td>
<td>100%</td>
</tr>
<tr>
<td>Education &amp; training influences LP</td>
<td>62</td>
<td>102</td>
<td>124</td>
<td>139</td>
<td>73</td>
<td>500</td>
</tr>
<tr>
<td></td>
<td>12.4 %</td>
<td>20.4 %</td>
<td>24.8 %</td>
<td>27.8 %</td>
<td>14.6 %</td>
<td>100%</td>
</tr>
<tr>
<td>Performance appraisal influences LP</td>
<td>122</td>
<td>175</td>
<td>87</td>
<td>79</td>
<td>37</td>
<td>500</td>
</tr>
<tr>
<td></td>
<td>24.4 %</td>
<td>35 %</td>
<td>17.4 %</td>
<td>15.8 %</td>
<td>7.4 %</td>
<td>100%</td>
</tr>
<tr>
<td>Industry policy&amp; rules influences LP</td>
<td>113</td>
<td>160</td>
<td>104</td>
<td>77</td>
<td>46</td>
<td>500</td>
</tr>
<tr>
<td></td>
<td>22.6 %</td>
<td>32 %</td>
<td>20.8 %</td>
<td>15.4 %</td>
<td>9.2 %</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: Primary data

Figure-1: (Share of highly agreed HRM policy parameters influencing LP)

Reference: Table no. - 1

1- Wages & salary structure influences LP, 2- Promotion influences LP, 3- Education & training influences LP, 4 - Performance appraisal influences LP, 5- Industry policy& rules influences LP

The above table represents the degree to which human resource policy factors influence the productivity of the labours those who are working under the said industries.

**Wages and salary structure:** It is indicated from the observation that more than 48.2% of the respondents are highly agreed that wages and salary structure plays a greater role to improve the labour productivity in the manufacturing industries of Odisha.

**Promotion:** In this area, only 14.4% respondents are highly agreed, where as more 30 % of our respondents are disagreed regarding promotion which may influence labour productivity.

**Education & training:** It is 14.6% and 27.8 % of the respondents are highly agreed and agreed respectively regarding education, training and workshop provide by the industries to improve their productivity and capability. But, near about33 % of the respondents are disagreed regarding this education and training to improve LP.

**Performance appraisal:** It indicates that 24.4 % of the respondents are highly disagreed where as only 7.4 % of the respondents are highly agreed with the performance appraisal of the industries which may influence the LP in the said industries.

**Industry policy& rules:** It reveals more than 54 % of the respondents are both highly disagreed and agreed whereas, only 9.2 % of the respondents are highly agreed.

**Discussion:**

While from the above analysis, it is observed that some HRM factors are influencing labour productivity and most outstanding performer is wages and salary structure yet Labour productivity may cause changes in wages for at least two reasons: (i) if individual’s pay is performance-based; and (ii) if labour unions bargain for real wage increase on the basis of past improvements in productivity (Wakeford, 2003). Higher productivity means that more goods and services can be derived from the same factor inputs. An increase in labour productivity is always a
ground for workers to press their claims for higher wages. If the increase in productivity is due to the efforts of labour or their improved efficiency, then it will positively cause real wages. The increase in productivity will lead to higher income and higher standard of living of the workers. Thus, higher standard of living will lead to economic growth in the long run. According to efficiency wage theory, a rise in real wages may induce higher worker productivity by raising the costs of job loss. Productivity of an industry may be rising, but if it suffers a fall in the prices of its product it would not be possible for it to adequate rise in money wage rates. So, increase in product wages brings the wage burden on the industry. The effect of an increase in average labour productivity on employment is unclear. It could reduce the demand for labour, as workers are more efficient. Alternatively, a rise in productivity could have a positive impact on employment through an ‘output effect’, which shifts the demand for labour curve outwards (Wakeford, 2004).

To establish a causal relationship between wages or salary structure and labour productivity in the manufacturing sector of Odisha, the Granger causality tests are performed to establish the direction of dynamic (short-run) relationships among these four variables. Granger causality says “if X causes Y, then changes in X should precede changes in Y. In particular, to say that X causes Y, two conditions should be met. First, X should help to predict Y; i.e. in a regression of Y against past values of Y, the addition of past values of X as independent variables should contribute significantly to the explanatory power of the regression. Second, Y should not helps to predict X, it is likely that one or more other variables are in fact causing the observed changes in both X and Y” (Pindyck and Rubinfeld,1998).

Conclusion:

After the 1991 reforms, Indian manufacturing has been opened out to competition from global players. However, the pace of reform has been slow. The government should find out proper immediate action in order to enhance the productivity, which will accelerate the growth process and competitiveness of the economy. In order to take various steps for increasing the productivity, it is more important to see the dynamic relationship between the key variables in the manufacturing sector. The present paper has a different dimension. It differs from the previous literature on the ground of specific focus on explaining the long run causal relationship between productivity, HRM policies, real wages and price in the manufacturing sector. It is well documented that the mutually reinforcing phenomena of low productivity in manufacturing sector is the cause for low income. Low income in turn leads to low standards of living, which constitute the root cause for poverty and unemployment in the country. So, the issue of labour productivity growth, the only route to enhance labour welfare in the long run has been under examined.

Reference:


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