

STUDY OF IMPACT OF LABOR LEGISLATION ON HR PRACTICES IN INDIA

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ABSTRACT

The aim of the study is to study the impact of different labor legislations on various HR practices within the companies in India. The research conducted is Descriptive Research. A questionnaire survey was conducted on 140 people working in different organizations. After conducting the survey, it was found that 52% of employees agree that wages are the factors to retain and attract employees. 100% employees agree that there should be periodic revision of wages and they also agree that everyone should get equal remuneration even if they are working in the same level. As per the results, majority of the employees agree that age factor is the critical component for the performance in HR practices. 100% employees agreed on the view that there should be proper training at the time of joining the company and also agreed on the view that there should be periodic performance appraisal. It can be concluded that there is a need of labor legislation for the health, safety, and welfare of workers, to protect workers against oppressive terms as individual worker is economically weak and has little bargaining power, to encourage and facilitate the workers in the organization, to deal with industrial disputes and to enforce social insurance and labor welfare schemes.

Keywords: Welfare, Disbursement, establishment, amenities, appraisals, registers of contractors, employer.

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INTRODUCTION

Labor Law and HR Practices

The law relating to labor and employment in India is primarily known under the broad category of "Industrial Law". Industrial law in this country is of recent vintage and has developed in respect to the vastly increased awakening of the workers of their rights, particularly after the advent of Independence. Industrial relations embrace a complex of relationships between the workers, employers and government, basically concerned with the determination of the terms of employment and conditions of labor of the workers. Escalating expectations of the workers, the hopes extended by Welfare State, uncertainties caused by tremendous structural developments in industry, the decline of authority, the waning attraction of the work ethics and political activism in the industrial field, all seem to have played some role.

Summary of HR Practices

1. Safe, Healthy and Happy Workplace

Creating a safe, healthy and happy workplace will ensure that employees feel homely and stay with the organization for a very long time. Capture their pulse through employee surveys.

2. Open Book Management Style

Sharing information about contracts, sales, new clients, management objectives, company policies, employee personal data etc. ensures that the employees are as enthusiastic about the business as the management. Through this open book process one can gradually create a culture of participative management and ignite the creative endeavor of your work force. It involves making people an interested party to your strategic decisions, thus aligning them to your business objectives. It helps in building trust & motivates employees. Employee self service portal, Manager on-line etc. are the tools available today to the management to practice this style.

3. Performance linked Bonuses

Paying out bonuses or having any kind of variable compensation plan can be both an incentive and disillusionment, based on how it is administered and communicated. Bonus must be designed in such a way that people understand that there is no payout unless the company hits a certain level of profitability. Additional criteria could be the team's success and the individual's performance. Never pay out bonus without measuring performance, unless it is a statutory obligation.

4. 360 Degree Performance Management Feedback System

This system, which solicits feedback from seniors (including the boss), peers and sub-ordinates has been increasingly embraced as the best of all available methods for collecting performance feedback. Gone are the days of working hard to impress only one person, now the opinions of all matter, especially if you are in a leadership role (at any level). Every person in the team is responsible for giving relevant, positive and constructive feedback. Such systems also help in identifying leaders for higher level positions in the organization. Senior managers could use this feedback for self development.

5. Fair Evaluation System for Employees

Develop an evaluation system that clearly links individual performance to corporate business goals and priorities. Each employee should have well defined reporting relationships. Self rating as a part of evaluation process empowers employees. Evaluation becomes fairer if it is based on the records of periodic counseling & achievements of the employee, tracked over the year. For higher objectivity, besides the immediate boss, each employee should be screened by the next higher level (often called a Reviewer). Cross - functional feedback, if obtained by the immediate boss from another manager (for whom this employee's work is also important), will add to the fairness of the system. Relative ratings of all subordinates reporting to the same manager is another tool for fairness of evaluation. Normalization of evaluation is yet another dimension of improving fairness.

6. Knowledge Sharing

Adopt a systematic approach to ensure that knowledge management supports strategy. Store knowledge in databases to provide greater access to information posted either by the company or the employees on the knowledge portals of the company. When an employee returns after attending any competencies or skills development program, sharing essential knowledge with others could be made mandatory. Innovative ideas(implemented at the work place) are good to be posted on these knowledge sharing platforms. However, what to store & how to maintain a Knowledge base requires deep thinking to avoid clutter.

7. Highlight performers

Create profiles of top performers and make these visible though company intranet, display boards etc. It will encourage others to put in their best, thereby creating a competitive

environment within the company. If a systems approach is followed to shortlist high performers, you can surely avoid disgruntlements.

8. Open house discussions and feedback mechanism

Ideas rule the world. Great organizations recognize, nurture and execute great ideas. Employees are the biggest source of ideas. The only thing that can stop great ideas flooding your organization is the lack of an appropriate mechanism to capture ideas. Open house discussions, employee-management meets, suggestion boxes and ideas capture tools such as Critical Incidents diaries are the building blocks that can help the Managers to identify & develop talent.

9. Reward Ceremonies

Merely recognizing talent does not work, you need to couple it with ceremonies where recognition is broadcast. Looking at the Dollar Check is often less significant than listening to the thunderous applause by colleagues in a public forum.

10. Delight Employees with the Unexpected

The last but not least way is to occasionally delight your employees with unexpected things that may come in the form of a reward, a gift or a well-done certificate. Reward not only the top performers but also a few others who are in need of motivation to exhibit their potential.

Labor Legislation in India:

In India, we have many labor laws that affect the labor conditions. The main laws are:

1. The Factories Act, 1948.
2. The Trade Union Act, 1926.
3. The Industrial Disputes Act, 1947.
4. The Payment of Wages Act, 1936.
5. The Minimum Wages Act, 1948

Impact of Labor Law on Health & Safety at Work, Duties of Workplaces and Workers

The Health and Safety at Work Act and various directives and industrial health and safety regulations are increasingly charging employers and employees with duties at the workplace. Employers' legal duties regarding workers and others, and employees' statutory duties to employers and fellow workers, make it essential to businesses and their workforce to have some appreciation of basics of the work safety requirements –and related decisions of the courts.

Factories Act 1948 applies where mechanical machinery is used by a business. It requires the

workplace to be properly lit, properly ventilated, with sufficient toilet facilities. Under this Act moving machinery must have a fence surround; must be properly constructed and maintained, e.g., all hoists, lifts; must be kept unobstructed all floors, passages, and stairs; floors must not have slippery surfaces, and fire-escapes must be provided and maintained -due care must be exercised to avoid risks being taken or caused both to and by employees which may result in injury.

Offices, Shops and Railway Premises Act 1963 to a considerable extent is based on the working conditions in offices, although it covers also shops railways. It requires rooms not to be crowded, to allow some 3.5m.x3.5m., 12 square meters, floor space per person, the temperature to be not below 16 degrees centigrade, suitable natural or artificial lighting, suitable and sufficient and easily accessible sanitary facilities with running hot and cold water and towels.

Health and Safety at Work Act 1974 in section 2 now encompasses the common-law duties; it emphasizes the duty to provide a workplace free from hazards, the maintenance and safety of machinery and equipment -with appropriate e.g. warning signs displayed, in liaison with the work-force, by consultation with trade union Safety Representatives, a health and safety officer on the premises who must have regularly updated health and safety training -including first aid, a Safety Committee and Written Safety Policy statements; it requires that the employees too must take reasonable care and co-operate in these respects. Other Acts, and Regulations -six in 1993 upon EU Directives, have been adding to these: e.g., the Working Time Regulations 1998 prescribe e.g., rest periods. There is a health and safety commission, and the Safety Executive is empowered to inspect, issue Improvement or Prohibition Notices, to prosecute -fine or imprisonment. Contracts of Employment often allow disciplining for failure in due care.

Impact of Labor Law on Performance linked Bonuses

The payment of Bonus Act, 1965, extends to the whole of India. This Act shall be applicable to:

1. Every factory; and
2. Every other establishment in which twenty or more persons are employed on any day during an accounting year.

The appropriate Government can give 2 months notice of its intention, by notification in the Official Gazette, to apply the provisions of this Act to any establishment or class of

establishment employing such number of persons less than twenty but shall in no case be less than ten. The provisions of this Act can be applied to such establishments with effect from such accounting year as may be specified in the notification.

The provisions of this Act shall be applicable to a factory or other establishment in respect of the accounting year commencing on any day in the year 1964 and in respect of every subsequent accounting year. For the State of Jammu and Kashmir, the reference to the accounting year commencing on any day in the year 1964 and every subsequent accounting year shall be construed as reference to the accounting year commencing on any day in the 1968 and every subsequent accounting year.

Provided further that when the provisions of this Act have been made applicable to any establishment or class of establishments by the issue of a notification, then the reference to the accounting year commencing on any day in the year 1964 and every subsequent accounting year shall be construed as a reference to the accounting year specified in such notification and every subsequent accounting year. An establishment to which this Act applies shall continue to be governed by this Act even if the number of person employed therein falls below twenty or the number specified in the notification.

Where an establishment consists of different department or undertakings or has branches, whether in the same place or in different places, all; such departments or undertakings or branches shall be treated as parts of the same establishment for the purpose of computation of bonus under this Act.

Payment of Bonus

Bonus is a sum of money given in addition to regular wages to an employee in appreciation of his good work and good performance. The employee receives this bonus from his employer under the Payment of Bonus Act, 1965. The calculation of bonus is as follows:

- Minimum bonus is 8.33 % of the salary or wages of an employee or Rs. 100 in case of employees above 15 years of age and Rs 60 in case of employees below 15 years of age.
- Maximum Bonus: When the allocable surplus exceeds the minimum bonus, the employer should pay bonus in proportion to the salary or wages earned by the employee subject to a maximum of 20% of such salary or wages.

In some special cases where the salary or wage of an employee exceeds Rs. 1600/- per month, minimum or maximum bonus payable to such employee shall be calculated as if his salary or wage were Rs. 1600/- per month.

REVIEW OF LITERATURE

Mathur (1993); After independence in 1947, driven by considerations of self-reliance, India adopted an advanced ISI model under the rubric of a centrally planned mixed economy. The ISI strategy emphasized the growth and long-term development of heavy capital goods industries run by the state with largely indigenous technology. The private sector was regulated through restrictions placed on investment and production capacity.

Singh (1994); The ISI strategy was sustained by a policy of industrial licensing that regulated the entry of new firms into economic sectors, and extensive import duties ensured the protection of domestic industry from foreign competition.¹⁴ Forty years of ISI resulted in a slow but steady economic growth rate of 2–3% per year, a diversified industrial structure with both heavy industrial and consumer goods industries, a nuclear program, and space industries. Moreover, the insularity of the ISI strategy kept the Indian economy relatively unaffected by worldwide recessions.

Ramaswamy (1983); Industrial relations policy in India was influenced by the close ties between political parties and the labor movement forged in the struggle for independence. First, labor legislation was extremely protective of labor. In terms of labor standards, India's Factories Act of 1948 is among the most advanced in the world, with maternity leave and benefits, the provision of child care in all factories, and advanced legislation on health and safety.¹⁵ Second, union formation is relatively simple, with any seven persons being able to form a union.

Ramaswamy , Mathur ,Lansing and Kuruvilla (1987); There is considerable agreement that Indian industrial relations is "inefficient". The multiplicity of constantly competing unions in an enterprise hinders the development of stable labor-management relationships, resulting in a very high rate of industrial action. The power of unions, it is argued, has resulted in excess employment in the public sector, and slowed rationalization and restructuring in the private sector.

Venkataratnam (1994) ; Although labor legislation has not yet been changed, IR/HR practices are undergoing rapid change. One significant outcome of structural adjustment and liberalization has been work force reduction. Given their inability to retrench, employers have introduced

voluntary retirement schemes (VRS) to shed excess labor. Although precise estimates of the number of people participating in VRS are not available. He suggested that a total of 5 million jobs will be lost through VRS, plant closures, and the privatization of inefficient public sector organizations.

RESAERCH METHODOLOGY

Descriptive research is used in the study.

Objectives of the Study

- To study the impact of different labor legislations on various HR practices within the companies in India.

DATA COLLECTION

Primary data: -Personal Interview, Questionnaire

Secondary data: -Internet, Books, Journals, Case studies, Past research, Online journals, Companies webpage, Newspaper, and magazines.

Questionnaire Design

Section A: consists of the title of the questionnaire, objective, name of the person and organization he/she is working with.

Section B: consists of the questions and the responses will be collected on the 5-level Likert Scale i.e Strongly Agree, Agree, Neutral, Disagree and Strongly Disagree.

Survey

A questionnaire survey was done on a sample of people who are working various organizations. The survey was conducted on 140 people among whom the questionnaires were circulated. Also, personal interviews were conducted with a few in the sample. The analysis and findings were conducted using regression so as to check the relationship between labor laws and HR practices.

ANALYSIS AND FINDINGS

Hypothesis:

H₀: There is no correlation between the impact of labor legislations and HR practices.

H₁: There is a correlation between the impact of labor legislations and HR practices.

Today, most Indian companies are committed to providing equal employment opportunities for all. The employers are increasingly realizing the value of trained human resource, especially women in India. Some organizations are changing their HR policies to stick with their valuable employees. MNCs like Pepsico are providing flexibility so that female employees at various life stages could benefit from these policies like working from a different city, sabbatical from corporate life, and extended maternity leave.

To prove the relation significant, statistical analysis was done. The following results can be seen below.

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.702 ^a	.493	.489	.26993

a. Predictors: (Constant), laborlawmean

The value of R square came out to be .493 or 49.3%. This means that for every 100% change in the independent variable labor legislation, 49.3% change will occur in the dependent variable, i.e HR practices. Nevertheless, this value of change in the dependent variable is not very less..

The above results clearly depict that Labor Legislation is 4.93% dependent on the HR practices. Hence we can safely say that there is a very strong impact of Labor Legislation.

Even though 4.93% is a significant percentage, the above results still affirm that there is an effect of Labor Legislation on HR practices. Thereby, the research accepts the alternate hypothesis and rejects the null hypothesis.

In order to show the correlation between the two variables: Labor Legislation and HR practices another statistical analysis was done so as to get accurate results in order to prove the hypothesis.

The results can be seen below:

Correlations

		hrpracticesmean
	laborlawmean	an
laborlawmean	Pearson Correlation	1
		.702**

	Sig. (2-tailed)		.000
	N	140	140
hrpracticesmean	Pearson Correlation	.702**	1
	Sig. (2-tailed)	.000	
	N	140	140

** . Correlation is significant at the 0.01 level (2-tailed).

The correlation value is coming out to be 0.702 which is greater than the standard value as per the statistical tool analysis so we can say that there is a strong correlation between labor legislation and HR practices. This value is considered between 1 and -1 and this value is coming on the positive side of the scale which shows that there is positive relation between the two variables. The functioning of labor laws is very crucial for the effective functioning of HR practices and vice-versa.

The above results show that null hypothesis is rejected and the alternate hypothesis is accepted. So , now it is proved statistically also that there is a relation between labor legislation and HR practices.

By referring to the above theoretical analysis , we can say that labor law does have a strong impact of various HR practices like Safe, Healthy And Happy Workplace, Open Book Management Style, Performance Linked Bonuses, 360-Degree Performance Management Feedback System, Fair Evaluation System For Employees, Knowledge Sharing, Highlight Performers, Open House Discussions And Feedback Mechanisms, Reward Ceremonies, Delight Employees With The Unexpected. However, to keep the relations sound and healthy between employer and employee, trade union also play a major role in communicating the ideas and grievances of the employees to the employer or middle management or top management.

There are various labor law acts prevalent in our country India on whose violation strict actions are taken either by the management or by the representative of the employees: Trade Union. The Health and Safety at Work Act and various directives and industrial health and safety regulations are increasingly charging employers and employees with duties at

the workplace. Employers' legal duties regarding workers and others, and employees' statutory duties to employers and fellow workers, make it essential to businesses and their workforce to have some appreciation of basics of the work safety requirements –and related decisions of the courts. Keeping in mind the remuneration of the employees, we have provision of payment of bonus act which helps the employees of any establishment or factory to be aware of the policies and salaries as well as monthly or yearly bonus to which they are entitled to.

In the end, I would like to say that after conducting the analysis I found that many employees agree that there is fair wages system in the organization; they get their bonus periodically and their salaries also get upgraded in a year. Moreover, the employees are highly satisfied with the work culture and values of the organization as the organization tries not to put burden on their employees so for that they keep them motivated and energetic by giving free meals on time, providing medical facilities at subsidized rates, holding free medical camps in the establishment in order to keep them fit and healthy etc. So to summarize I can say that labor legislation and HR practices go hand in hand , and there is a strong relation between the two elements for the success of any organization or establishment.

FINDINGS

- 53 employees agree that labor legislation objective effectively secure the workers.
- 55 employees strongly agree that they are happy and satisfied with the leave plans decided by their respective company.
- 62 employees agree that whenever there is any employment injury the company provides necessary aid.
- 76 employees agree on the view of periodic revision of wages as per the norms of the company.
- 100% employees agree that every employee either male or female should have equal remuneration even if working at same level.
- 59 employees making 42% of the employees agree on the view that global directives prohibit advertisement based on languages can narrow the process of HR systems.
- Many employees agree that age factor is the critical factor for performing well in any of the HR functions.
- Almost all the employees agree that working environment should be favorable.

- Equal portion of employees (male and female) agree that all the employees should be well provided with the seating arrangement.
- Employees agree that there should be proper working hours so as to improve the performance.
- 53% agree that ESI benefit is meant for social insurance and no gender difference poses any hindrance to this.
- 64 employees (male or female) agree that PF act is meant for family pension.
- 101 employees agree that minimum salary should be given for every position.
- 74 employees agree that wages and allowances are the factors to retain and attract employees.
- Major portion of the employees agree that company have written policies on EEO and affirmative actions.
- 72 employees agree that company should have standard working hours.
- 64 employees agree that training should be given within the org or in some other establishment.
- 100% employees agree that there is general increase in the compensation every year.
- 57% employees agree that fair compensation is given to the employees as per the norms of the company.
- 48% employees agree that performance appraisal system is participatory and flexible.

CONCLUSION

From the findings it can be concluded that the various Labor Laws are responsible for the proper functioning of HR practices in all the companies present in India. The violation of any law is met with serious consequences so to avoid any such violation the companies have developed measures for the welfare of employees.

To summarize, Payment of Bonus Act 1965, Workers' Compensation Act 1923, Factories Act 1947, Health and Safety Act at Workplace 1974 etc have made it possible for the functioning of HR practices like training and development, 360 degree performance management, fair evaluation of compensation for employees, safe and healthy workplace and many more in all the companies of India.

From the analysis of the survey conducted, it was found that 52% of employees agree that wages are the factors to retain and attract employees. 100% employees agree that there should be periodic revision of wages and they also agree that everyone should get equal remuneration even

if they are working in the same level. As per the results, majority of the employees agree that age factor is the critical component for the performance in HR practices. 100% employees agreed on the view that there should be proper training at the time of joining the company and also agreed on the view that there should be periodic performance appraisal.

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