



Study of HR Practices for Contract Labours in the selected Manufacturing industries of Maharashtra State, India

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Abstract: In many industries, the primary focus of HR practices lies only for on roll employees and permanent workers. Irony of the issue is that, by and large these companies execute their operations which are highly depended on the contractual labour only. However, these contractual workers receive little attention. Organizations have been obliged to adopt new workplace HR practices to improve their level of performance due to the highly volatile environment. HRM practices aid in building an emotional attachment with the organization in form of effective commitment from their employees systematic and efficient HRM practices to adapt to the economy's shifting needs to be competitive globally and to respond to changing economic needs, HRM procedures must be efficient and structured. This study is based on primary as well as secondary data which is obtained through a structured questionnaire. HRM Practices are described as a set of internally consistent rules and processes developed and implemented to ensure that a company's human capital contributes to the company's business objectives. Healthy HR practices makes a difference on many counts. They uplift the internal capacities of an organization to deal with current or future challenges to be faced by an organization. The process of globalization has put heavy pressure on many organizations to operate in competitive environment. The impact of these pressures is all pervasive and long term survival of business is dependent on its ability to improve continuously. Therefore organizations have to gear up with innovative and inclusive HR Practices for all categories of employees to survive and flourish in such complex and highly dynamic business environment. The sample size was of 500 contract labours from 90 selected manufacturing industries of the Aurangabad District (Maharashtra, India)

Keywords: Contract labour, HR practices, Absenteeism, Attrition.

1. Introduction

In the present competitive world, companies are facing lot of skill shortage, due to a lack of talent, skilled workforce and high attrition, businesses have come to believe that the internal customers are just as vital as external customers. Therefore every company is trying to satisfy their employees by delivering their best HR practices for improving employees performance and efficiency. Today, in the competitive environment HR Professionals, in almost every industry are coping with an array of huge new challenges for an instance; the growth of global markets, rapid creation of new technologies, and increased productivity demands. Organizations by the means of effective HRM practices can confront with such challenges. Human Assets which comprises top-level managers, executives, supervisors workers and contractual employees, are the fulcrum of organization and no organization can operate successfully without satisfying their needs and interest. Human resources are considered as the lifeblood of any organisations since they keep it alive while also allowing it to grow and thrive. Brian & Husield (1998) supported the importance of HRM asserting that, for any business human resource is one of the foundation for competitive advantage. Values, attitudes, opinion and behavior which form these resources, have profound impact on employee performance and organizational performance at large.

Good management practices have a big impact on employee performance. Human resources are the most significant resource in today's business environment, and every company strives to have highly satisfied and engaged employees. Employees that are happy at work are more inclined to put up more effort in their given responsibilities and pursue the company's objectives. Employee happiness has long been a subject of study in the fields of organizational behavior and human resource management, as it reveals an employee's attitude toward their work and loyalty to the organisations. As a result, today's managers must address the job satisfaction issues of their subordinates.

HRM lays an emphasis on the human resources and extends its focus not only on people as human resources but also comes with a philosophy of the resources which are to be managed well, it may be the on roll employees, workers or contractual employees. It is inevitable that HR Department should ensure to identify and execute best HR Practices covering entire range of employees.

However in many industries, the cardinal focus of HR practices lies only for on rolls employees and permanent workers. Whereas HR practices for contractual labour are very limited. In most of the companies contractual labour are not treated fairly, they face issues of inequality. As a result, companies are facing productivity losses due to high absenteeism, attrition and scarcity of these contractual labours. Irony of the issue is that, by and large these companies execute their operations which are highly depended on the contractual labour only. However, these contractual workers receive little attention.

Therefore it is important that the companies should also extend the scope of their HRM practices, customize them as per the nature and expectations of the contractual labour. This will result in job satisfaction and will motivate contractual labour to work with less absenteeism and will reduce attritions as well.

1.1 Post Independence Status of Contractual Labour.

The first Indian Government amended Factories Act 1948, and the Mines Act 1952 in which they made a capital move by inclusion of Contractors under the definition of Workers. The Second Five-Year Planning Commission pointed the need for contract labour working conditions to be improved. And therefore it commended for proper treatment of the contract labour to ensure they are not being exploited or barged from their legitimate facilities.

All the three Plans (1951—66) emphasized the need for social security schemes. The objectives of Plan policies have been better implementation, wider coverage of employees and better benefits to them. While the first two Plans outlined schemes of social insurance to cover limited number of urban wage earners, the Third Plan sought to break new ground in social assistance. It said, "it would be desirable to make a modest beginning- in respect of three groups of persons the physically -handicapped, old persons who are unable to work and women and children where they are altogether lacking in the means of livelihood and support

Meetings were held of Tripartite Committees represented by the State Government, in which unanimity of the opinion was, wherever possible and feasible, abolishment of contract labour employment. However if it was case it is not possible to abolish the contract labour employment, in those cases, they should be regulated properly under the "The Contract Labour (Regulation and Abolition) Act 1970". This Act specified all the provisions necessary for employment of contract labour. It specified procedural formalities required by the employer for employing labours through the contractors. Also it directed the employer about the welfare provisions to be in place for contractual labours in the industry.

In the 1980s, many industries saw modernization and growth of production scales, including the automotive industry, cement, cotton spinning, food processing, and polyester filament yarn. Industrial exports also improved in the second half of 1980s as import restrictions moved from quotas to tariffs (as a first phase of trade reforms) although at very high levels, and a continuous deterioration in nominal terms of the currency.

The turnaround in industrial output growth during that decade had been attributed to a variety of factors, including liberalization, increased public investment, and improved public sector performance. The sector's labour share stayed approximately stable at around 12%. Between 1980 and 1981, registered manufacturing employment – in factories employing 10 or more people on a regular basis, accounting for about one-fifth of overall manufacturing employment increased steadily.

The introduction of 'Liberalization' and 'Globalization' in India, in the 1990s changed the corporate environment, increasing competition among industries for their own survival. Potential market capacity and labour availability enticed several Multinational National Corporations (MNCs) representing the world's greatest brands to establish offices in India, giving their domestic competitors a tough time in terms of business growth. In order to compete in modern customer-driven market economy, industries must be able to manage people in a flexible manner to deal with demand fluctuations. However, antiquated and stringent Indian labour rules, which were enacted decades back and impede right-sizing of labour, were preventing enterprises from operating smoothly. These factors enabled industries to hire an increasing number of contract labourers in order to have greater flexibility in adjusting employee numbers based on economic efficiency, despite the risk of lower worker loyalty and poor pay, better resource utilization, profit optimization, and cost effectiveness. And therefore in that period, the rapid growth of industries also impacted on hiring more number of contract labour. Since, in this period there was entry of foreign companies, it brought new approaches towards handling the employees with more widespread HR practices, better working conditions and welfare activities.

1.2 Present Status of contractual labour.

At present there is a significant growth in the employment of the contract labour, this trend of recruiting the contractual labour is evident all across the world. The contract labours are attributed to the temporary employed labour, through an outsourced registered agency called labour contractor. The "Labour Contractor" takes care of recruitment and deputation of these contract labours in the company. The contract labour are distinct from the regular employees and workers of a company in terms of method of their wage payment and employer- employee relationship. The contract labour employed in the companies does not appear on the muster rolls of the principal employer.

The objective of the proposed study is:

- a) To present comprehensive picture of Contract Labour employment in India.
- b) To analyze the impact of discriminative HR practices on Attrition of contract labours.
- c) To present satisfaction level of contract labours in terms of HR Practices in place for them in the company.

3. Review of Literature

Human resource management strategies are meant to improve employees overall performance, which also leads to improved overall organizational performance through better employee job satisfaction. Shah Nawaz M & Rakesh C (2009) believed that, HRM practices are vital in organizational commitment. Vikram J (2011) deliberated that, there have been intense change in the HRM practices in the last two decades due to privatization, globalization, competition and ongoing technological advancements.

It has a specific working style that is separate from other types of labour such as permanent, temporary, casual, badli, and so on. The contract system is built on a triangle interaction between user businesses, contractors, including subcontractors, and workers. Hundreds of entrepreneurs are fighting to manage human resources (HR) on behalf of these companies as labour contracting has become a lucrative business. Employers can also circumvent trade unions thanks to the regional contract labour system. Karibasamma (2016), in her research paper on the Contractual Labour Practices in JSW steel at Karnataka State, determined that, there is rapid increase in the form of Contract Labour as an employment. The contract labour comprises both skilled and unskilled type of manpower, a worker is deemed to be a contractual employee if he is being hired through a registered contractor under the "Contract Labour (Regulation & Abolition) Act 1970". These type of manpower are hired and work in the supervision of the contractor supervisor. Such manpower has to work for a stipulated tenure (6 months), who has inferior status of labour, no job security, poor economic conditions, and casual employment nature.

Paramita (2016) expressed that, Contract Labour is a noteworthy and growing form of employment in various types of industries. On the other hand exploitation of contract labour is now becoming one of the biggest issue in the present era of liberalization. As in early nineties Liberalization of market economy has demanded more flexibility in employment for the industries for the purpose of competing the global challenges with respect to keep labour cost low, this in turn compelled the industries to recruit more contract labours to address the vacillating demands of industries. The contract manpower provides this flexibility by allowing the hire and fire policy as and when necessary.

Ajay Thakur (2017), has given a comprehensive picture of the Contract labour employment and their working conditions in vogue. As per the Contract Labour Act 1970, the decision to absorb the contract labour or to terminate their employment solely lies with the principal employer. Contract workers has a huge share in the total workforce of India. Many of these workers are being engaged in occasional or seasonal or nature of employment as and when they are needed they are filled through the labour contractor. The prominent sectors that hires the contract labour comprises house-keeping services, canteen services; security services; loading and unloading of goods and materials; civil and construction works; electrical/air condition and computer maintenance, etc. Sometimes it has been observed that contractors who provide contractual labour are indulged in some or the other misuse and abuse of power. Most of the cases of these workers are particularly abused by being paid lesser wages than earlier agreed upon as per the minimum wages act, in some cases they are forced into health hazardous employment.

The Central Government has the onus of ensuring the welfare of the contract labours. For this purpose, the Central Government has enacted quite a few legislations with an objective of safeguarding the welfare and wellbeing of these labours. However, when it comes to adhering these obligations laid by the Central Government, apparently many industries does not execute these welfare provisions to its expected spirit. When we talk about the trade union workers, they secure their welfare rights through the collective bargaining shield. However the question arises for the non-unionized working contract labour class who have to struggle for their rights and legitimate welfare measures in the industries. The conditions are even worse in some SMEs, there is total anarchy among these workers.

Looking at the working conditions & prevalent exploitation of these contract labours he was of the opinion to bring reformation of the Contract Labour Act 1970, in order to match with the present working scenario.

There has been phenomenal increase in the recruitment of contract labour in the manufacturing sector. These sectors recruit contract labour as a strategic advantage against the regular workers (unionized). Also there is significant difference in the wages of contract labour and regular workers. This helps them indirectly suppress the bargaining power of the unionized workers. The workers have high wages and allowances as compared to the contract labour.

There is also the need for healthy working Policies and Practices which aids in promoting job security and social security of the contractual labour, this is necessary looking at the scale and rising demand the contractual labour. Such policy should also include skill creation and health and education betterment. (www.theigc.org).

Contract employees are engaged directly by the employer or through an agency in underdeveloped nations such as Ghana and Sri Lanka. In Ghana, a contract worker can be employed for up to 6 months and can work in any activity, however in Sri Lanka, there is no set term but employers are urged not to use contract labourers in core operations. Contract employees and permanent workers in both nations are protected by the social security system and paid at the current National Minimum Wage rate.

Inian & Raghu (2018) in their research paper believed that, Contract labour is a huge and growing segment of the workforce in a variety of industries. Contract labour exploitation is now the most serious issue facing the current generation of globalization and liberalization. Contract labourers are entitled to the salaries, including overtime pay and allowances that are specified for their employment at the establishment. When the wage period is over, it must be paid immediately. It must be compliant with the Minimum Wage Act. The contract labours have additionally the proper to be supplied the protection measures at the establishment and on the spot health service in case of any damage to the labour. Restrooms, canteens, washing facilities, first-aid centers, and a variety of other facilities may be available to them. The female workers are entitled to their own washrooms and restrooms. They now have the right to refuse employment in any job that is prohibited by law. The contractor will supply all centers and facilities, such as guest rooms, relaxation areas, washrooms, meals, and a medical facility. The Labour contractor is usually in charge of paying payments to workers

on time and keeping track of Wages, Deductions, Extra Time, displaying an abstract of the Act in English, Hindi, and a neighboring language, and notices about wage rates, length of labour, and the address of the labour inspector.

Table 1

Sector Wise Contract Labour Employment in India from the period (2009-2015) in Lakhs.

Sl No.	Industry/ Group	Jan, 09 to Dec, 09	Jan, 10 to Dec, 10	Jan, 11 to Dec, 11	Jan, 12 to Dec, 12	Jan, 13 to Dec, 13	Jan, 14 to Dec, 14	Jan, 15 to Dec, 15	Total (Sector Wise Change)
1	2	3	4	5	6	7	8	9	10
1	Textiles	3.88	1.03	0.34	1	2.86	1.41	0.72	10.56
2	Leather	-0.25	0.41	0.21	0.03	0.44	0.07	0.08	0.27
3	Metal	0.58	0.75	1.07	0.21	0.85	0.74	0.37	3.38
4	Automobile Gems &	0.55	1.27	0.47	0.09	0.16	0.25	0.08	2.71
5	Jewellery	0.78	0.22	0.28	-0.01	0.09	0.11	0.19	1.28
6	Transport	-0.07	0.11	0.33	0.17	0.09	0.11	0.04	0.08
7	IT/BPO	6.54	5.07	7.64	1.95	1.09	1.93	0.76	24.98
8	Handloom/ Powerloom	0.8	0.01	0.05	-0.23	0.02	0.05	0.11	0.45
TOTAL									
(Year-wise)		12.8	8.65	9.3	3.22	4.19	4.21	1.35	43.7

Source: Government of India, Ministry of Labour & Employment.

Contract employees have been excluded from the collective bargaining process by trade unions in response to the restrictive institutional environment. Labor contractors perform a variety of tasks on behalf of companies, including labor selection, orientation, basic training, and monitoring. While not all of these roles are exploitative, they are all part of a system that keeps wages low and weakens trade union rights.

As per the Central Government Report (2006) India had around 500 large enterprises and thousands of small firms functioning, employing approximately 200,000 people in vehicle assembly, 250,000 in the automobile sector, and a further 10 million people indirectly through contract labour.

The Contract Labour (Regulation and Abolition) Act of 1970 allows businesses in the manufacturing and service industries to hire contract workers through contractors. Such an engagement can only be for work that is not part of the company's main operations, as defined by the company's memorandum of association. Contract labour is important and rising type of employment. The use of contract labour is widespread all around the world and has been practiced for centuries.

The Central Government continues to be one of the largest contract labour employers. The Central Government spent Rs. 300 crore on contract or temporary workers in 2012-13, according to the Seventh Pay Commission. 2016 rediff.com(2016) ArindamMajumder (2016) revealed that, the contract labour force of MarutiSuzuki, India's largest carmaker, reflects how the corporate sector is reacting to changing labour market trends. The percentage of contract workers in the entire workforce at the automaker increased from 32% in 2013-14 to 42% in 2015-16.

3.1 Contractual Labour in Context Of Maharashtra State

Maharashtra is India's third-largest state, covering 308 million square kilometers and accounting for 9.4 % of the country's population. The density of the population is 365 people per square kilometre. Maharashtra is one of India's wealthiest and most developed states, accounting over 25% of the nation's industrial production. Maharashtra State has sustained its dominance in the Indian industrial sector. Agriculture and industry account for the majority of the state's revenue. Chemicals, electrical and non-electrical machinery, textiles, petroleum, and associated products are all major industries. International trade, mass media, aircraft, technology, petroleum, fashion, apparel, and tourism all contribute to Maharashtra's economy.

The Maharashtra State's Minister of Labour Development & Welfare, SambhajiPatilNilangekar, announced that the government has established a contract worker advisory council. The State Advisory Contract Labour Board was been established under the Contract Labour (Regulation and Abolition) Act, according to labour department officials. The board will be chaired by the Labour Minister, and the member secretary will be the Labour

Suk Umar Dale, representative of All India Trade Union Congress stated that, "Contract labour is not seasonal in nature; it is engaged on a contract basis by primary employers to avoid providing them the benefits to which permanent workers are entitled."

Contractual workers who approach the advisory board, according to Damle, are not considered for permanent employment. The management of the company hires new employees and makes them permanent. It is not required of them to hire contract workers on a long-term basis. Damle demanded that the state should change the law to ensure that, contract workers are considered for permanent positions. Contractual workers can approach the board to resolve their difficulties, according to labour department officials. Indian Express (2018)

Typically the share of contractual labour in Indian industries is 40% to 60 % Ravi Ananthanarayanan (2014) however the extent and scope of HR practices is very limited for contractual labour.

4. Statement of the problem

The Contract labour works on the principle of hire and fire and therefore they have no security of employment. This is creating lack of interest in their work, high attritions and absenteeism are the outcomes due to such conditions. This is causing huge productivity losses in the companies. Some where there is need to take a call on this underprivileged conditions of contract labour through the means of designing customized HR practices and bring the contractual labour in mainstream by addressing their expectations of welfare and rewards, motivation etc. This will enable the employers to get the desired productivity.

It has been understood that due discriminating approaches by the industries while disseminating the HR practices for the contractual labour, there is high amount of absenteeism and attrition resulting into losses to the industries. The sample size was of 500 contract labours from the 90 MSME Industries of Aurangabad District (Maharashtra, India).

Table No.2
Gender wise distribution of Sample

S.No	Gender	Count
1.	Male	422
2.	Female	78
Total		500

Source: Field survey

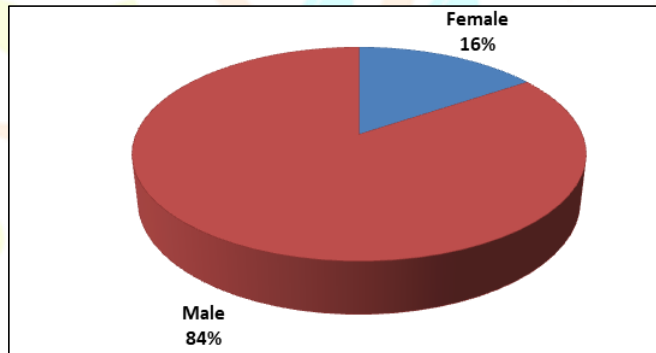


Figure 1

Hypothesis

H0: Company does not discriminate between employee and regular employees while executing their HR Practices

H1: Company discriminates between employee and regular employees while executing the HR Practices

Table No. 3 Questions asked to the respondents

Q.24 My Co-workers tend to leave the company due to partial or improper treatment given in the company			Q.25 Company discriminates between me and regular employees in HR practices		
Yes	No	Total	Yes	No	Total
488	12	500	409	91	500

Source: Field survey

Chi Square/ F value /P Value

Chi-Square	DF	P-Value
350	4	0.000

SPSS was the statistical tool used for the data analysis. From above analysis of chi square table, we show that p-value is less than level of significance 0.05 (5%). Hence, reject null hypothesis and accept alternative hypothesis.

Therefore, we conclude that, there is significant association (dependency) between the opinions of respondents regarding co-workers tend to leave the company due to partial or improper treatment given by the supervisors and Company differentiates between employee and regular employees in disseminating HR practices. This indicates that, there is significant impact of discrimination attrition issues of Contractual Labour Leading to losses.

Graph 2- Distribution of respondents on the questions used for hypothesis validation.

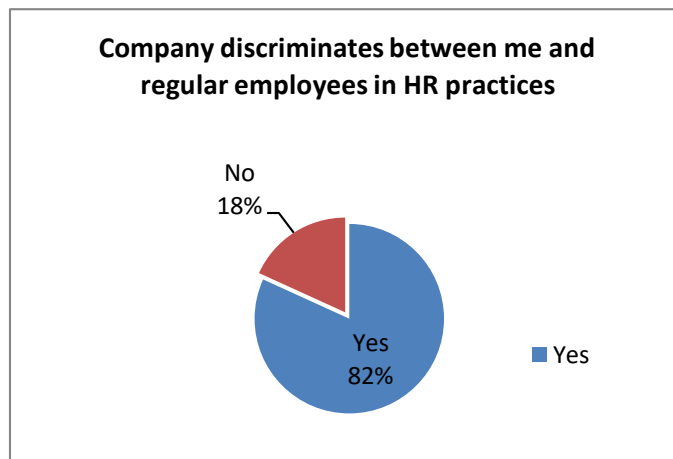


Figure 2

5. Conclusion

Based on the weighted mean value Contractual Manpower perception towards the HR Practices was analyzed which revealed following results;

Satisfaction: Treatment given while being recruited, Welfare and Benefits as per the Company Labour Laws.

Non Satisfaction: Absorption policy of the Company as a regular on roll employee, Company provides training on based on your training needs, Work enrichment / growth on the basis of performance, The Work culture of the Company is supportive, for efficient performance, Support and guidance of Supervisors for effective performance, Working hours and leave ,Monetary rewards provided by Company, Non-Monetary rewards provided by Company, Provision of Engagement activities.

Neutral: Information Provided about the job at the time of recruitment, Wages being paid, Timely payment, Training being given before the start of Job, Other training programmes apart from the job (behavioral/ technical), Feedback of Job Performance by Company, Safety Equipment's and PPEs provided by the Company, Medical Checkups and facilities, Canteen Food and Drinking Water Facilities, Toilet washroom facilities, The treatment given by the supervisors in the company effects performance.

Human Resource is the important asset for any organization and it is the source of gaining competitive advantage. HRM practices have a great amount of impact on the overall performance of the Companies. Managing human resources is very challenging task as in comparison with managing technology or capital. And therefore for its efficient management, organization needs an effective HRM system well supported by effective HRM practices considering the interest of each category of employment being existent in the organization.

If HR practices are executed very religiously and meticulously without any discrimination based on the categories of employees particularly in welfare and development areas , it shall indeed have a profound impact directly on the performance of the employees which shall enable the organization to reach to the desired output. Therefore effective HR practices for Contract Labour (coupled with effective recruitment & selection procedures, unbiased treatment of the Contract Labour, fair Wage rates, Quality of Welfare Activities, and Training opportunities shall motivate the Contract Labour to perform with enthusiasm, shall improve the competence and the skills of its Contract Labour. The HR department should dedicatedly assign at least “One” On-roll HR person as a custodian for dealing with all affairs of Contract Labours in the Company. HR practices should not only be intended to drive employees on to the job performance rather HR practices should be properly aligned and structured for their welfare, commitment, satisfaction, and their retention.

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