



The Influence of Legal and Human Resources on Industrial Performance– A Study

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INTRODUCTION

The aim of the human resources function (management and development) in the organizational context is to ensure the availability of competent, motivated and learning employees to the firm to facilitate the achievement of its business objectives. The HR function has been quite successful in performing its role in terms of developing capacity, knowledge, attitude and skills of employees. However, in the recent past a shift has been taking place in the expected model role from both the HR function and the HR manager. This new role is that of active partner along with other functionaries like production, finance, marketing, etc., equal if not more important.

Therefore, HR is no longer a passive function. This has two implications for the HR managers and practitioners. First, it will require the HR function and persons dealing with it to provide more inputs related to human resources at the strategy formulation level. Second, it will require HR to demonstrate that investment in human resources contributes to business results. However, there is a paucity of empirical work in our country to support the assertion that investments in HR have an impact on firm performance. It is in this context that the present study of eighty-four Indian firms was carried out to answer the question of whether investment in HR contributes to firm performance.

Clearly, Indian firms find it cost-effective to engage in capital-intensive production despite the country's labour abundance. To anyone who is aware of the panoply of restrictive labour regulations firms in India face (that makes labour effectively quite expensive) this does not come as a surprise. According to Bhagwati and Panagariya (2013), India has about 200 labour laws, 52 of which are Central Acts.

Of these, probably the three most restrictive ones are the Industrial Disputes Act (IDA), the Industrial Employment (Standing Orders) Act, and the Trade Union Act. The IDA requires firms with 100 or more workers to seek government permission to retrench or lay-off any worker. This



permission is rarely granted. As a result, firms are probably hesitant to hire too many workers as they can be stuck with each of them in the event of a negative shock or incompetence. The Standing Orders Act requires employers in firms with 100 or more workers (50 or more in some states) to seek permission for changing the job description of any employee, that is, reassigning her to a different task.

The Trade Union Act allows any seven employees to form a union, leading to several unions within a firm, thereby using up a large proportion of the firm's managerial resources. Through this regulation, unions have the right to strike and represent workers in legal disputes with employers. There are several other laws, mainly specifying work conditions and benefits, that become applicable at different employment thresholds. Last but not the least, there is the Contract Labor Act, that restricts, and even prohibits, the use of contract workers for certain tasks. Thus, it is not always that easy to circumvent labour laws to keep production techniques labourintensive. Also, since these laws have a threshold employment level above which they become applicable, firms often have an incentive to remain small and "informal".

"To secure to each labourer the whole product of his labour, or as nearly as possible, is a worthy object of any good Government" - said Abraham Lincoln.

This research work has been carried out with an intent to conduct a critical study of the impact of Labour Laws and Regulations on the Industrial Performance in India. The study aims at critically analyzing the provisions of various Labour Laws and Regulations and the way they impact on the Industrial Performance in India.

Labour is one of the basic resources of any industry and has an important bearing on the performance and goals of the organisation and that of a National Economy too. There is no real wealth but the labour of man. Labour is one of the great elements of society, a great substantial interest on which we all stand.

The struggle for income, wealth, privileges and power has divided the human race in two classes

(1) The workers who perform productivity and useful labour and



(2) The greedy capitalists and corrupt politicians who appropriate the products of labour under the slogan ‘ you toil – we eat.’

In a capitalist country where the policy of laissez faire is the policy of governance, we often find that, for the labouring people the doors of the prisons are always open to receive them and that of the courts of justice practically closed for them. The desire of one man to live on the fruits of another’s labour is the original sin of the world.

Manual labour though an unavoidable duty and though designed as a blessing since it is naturally both a pleasure and dignity, is often abused, till, by its terrible excess, it becomes really a punishment and a curse. It is only a proper amount of work that is a blessing. Too much of it wears out the body of the labour before its time, cripples the mind, debases the soul, blunts the senses and chills the affections. It makes a man a spinning- jenny or a ploughing-machine. He ceases to be a man when he, in order to forget this exploitation, intoxicates himself and becomes a thing or commodity ready to be exploited by the capitalists and the powerful. The labour of a human being is not and shall not be an article or commodity of commerce. The market price of the labour is that which is really paid for it, from the natural operation of the proportion of the supply to the demand, keeping in mind the constitutional mandate of creating a welfare state by providing social and economic justice to all.

Purpose of labour legislation is basically to establishes a legal system that facilitates productive individual and collective employment relationships, and therefore a productive economy and for this the Labour Legislation should be able to provide a framework within which employers, workers and their representatives can interact with regard to work related issues, it serves as an important vehicle for achieving harmonious industrial relations based on workplace democracy, such (French: “allow to do”), policy of minimum governmental interference in the economic affairs of individuals and society. Laissez-faire was proclaimed by the Physiocrats in the eighteenth-century France, thus being the very core of the economic principles, Labour Legislation should also be able to provide a clear and constant reminder and guarantee of fundamental principles and rights at work which have received broad social acceptance and



establishes the processes through which these principles and rights can be implemented and enforced.

But experience shows that labour legislation can only fulfill these functions effectively if it is responsive to the conditions on the labour market and the needs of the parties involved. The most efficient way of ensuring these conditions and needs are taken care of fully, is by involving those concerned in the formulation of the legislation through processes of social dialogue. The involvement of stakeholders in this way is of great importance in developing a broad basis of support for labour legislation and in facilitating its application within and beyond the formal structured sectors of the economy.

The factors causing low Industrial performance or low Productivity in India can be found in a) less attention being paid to the problem of employer – employee relations, b) abundance of unskilled labour force, c) insufficiency of adequate trained personal and supervisors, d) absence of harmonious labour- management relations, e) lack of introduction of ‘ work study and ‘method study’ techniques in the sphere of production, f) existence of the feeling of hatred towards menial works and the distinctions in social and economic status observed on the basis of caste, religion and income as has been witnessed in the violent attacks, death and destruction in many cases including the recent incident in Maruti Udyog, at Manesar Plant near Delhi.

The attitude of the Employers, Managers, Foremen, Supervisors, and Departmental Heads is not sympathetic towards their Employees. The Trade Unions are no more recognized as a source of Labour Discipline. Mistrust and suspicion between the Labour and the management affects the Industrial performance/ Productivity adversely. It is felt by this researcher that the ‘work study’ and ‘method’ study techniques can help in improving working conditions, reduce physical strain, increase output and lead to higher wages for the labour. The researcher also feels that the Increase in Industrial performance does not necessarily involve installation of new machinery or greater exertion on the part of labour. Efforts like better layout of the plants, improvement in working conditions and training of workers could ensure increase in the productivity without correspondingly increasing the strain on the workers as this technique leads to increased output with reduced strain.



RESEARCH METHODOLOGY

The research on the present topic has been a Doctrinal research involving review of the present Labour Law and Regulations and its impact on the Industrial Performance in India. This study is an empirical research based on the survey method. First hand data has been collected from the field directly and from the records of Industries through interview schedule and Questionnaire. The inter-relationship of the Labour Law and Regulations with the Industrial Performance has been analyzed through a survey of selected small and Large Scale Industries in India. The following are some of the labour laws which have been enacted for specific purpose, which every industrial establishment and other manufacturing organisations mentioned in the labour laws should comply what the labour laws says. Otherwise such organisations are liable for penal action by the courts.

1. Workmen's Compensation Act, 1923
2. The Factories Act, 1948
3. The Payment of Gratuity Act, 1972
4. The Payment of Wages Act, 1936
5. The Trade Union Act, 1926
6. The Industrial Disputes Act, 1947
 - Lockouts (Industry)
 - Lay Offs / Laid off and Retrenchment
 - Labour Courts for disputes in India
7. The Employee State Insurance Act, [ESI] 1948
8. The Payment of Bonus Act, 1965
9. The Employees' Provident Fund Scheme, 1952.



10. The Child Labour (Prohibition & Regulation) Act, 1986

11. The Contract Labour (Regulation and Abolition) Act, 1970

12. Industrial employment (standing orders) Act, 1946)

13. Maternity Benefit Act,1961

Data relating to the Industrial Units in India has been collected through personal visits and interview. A number of discussions have been conducted with well-informed persons such as Industrialists, Judicial and Government Officials, managers, Union Officials and workers of the Industrial Units.

Conclusion:

Every function under the human resource Management is governed by labour law of the land. Hence human resource manager should be diligent and be very careful while performing duties are functions as those are governed by concerned labour law. It is the duty of the human resource manager to check whether particular function is in accordance with concerned labour law or contravening. To make it for the clear it is clearly mention below which HR function is governed or covered by which labour law.

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