

Assessing Working Conditions in Factories and Industrial Establishments:
The Role of Human Resources Management

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Introduction

An organization's key asset is its employees and an organization that can tap the strengths of their people will be stronger and more competitive than those that cannot. One of the largest factors that affect an employee's motivation and satisfaction is their working conditions apart from the salary package. In maintaining excellent working conditions, employees experience increased wellbeing and productivity and the organization experiences economic profits. However, because of the conflict of interest that exists between employees and employers, employers may not realize the role that an employee plays in the workplace and forgets the value of upkeeping healthy working conditions. The most impotent acts to protect workers with regard to their working conditions are the Factories Act, 1947 or the Shops and Establishment Act, which regulates the safety, health, hours of work, holiday, weekly off, welfare, leave of workers, etc. However, how can employers use the working conditions to maximize the efficiency of workers? This paper seeks to analyze this by examining working conditions in factories and industrial establishments in India and focusing on the role human resources management (HRM) plays in maintaining working conditions.

Historical Development of India's Labour Laws

Early Indian labor law is largely a product of British colonialism and the British economy at the time.¹ These included factory-type regulations that provided basic level protections in the 1880s through 1930s. However, these laws were enacted to protect British industries against cheap foreign labour, so the regulations did not do much to protect workers' rights. This inspired Indian social reformers intent on improving what were regarded as subhuman working conditions in Indian factories.²

Important progress on this reform was made in the immediate post-World War I period with the influence of the International Labour Organizational (ILO) convention. Much of the legislation enacted during this period pertained to hours of work, rest periods, female and child protections, health and safety, etc. Most notable among these was the Factories Act of 1922. Beginning in the second half of the 1930s with the emergence of "Provincial Autonomy,"

¹(Mitchell, Mahy & Gahan, 2014, p. 415).

² Ibid.

workers gained much success with the introduction of workplace regulations regarding wages, hours of work, compensation, etc.

In the 1940s and 1950s, many legislations were passed that were designed to secure labour co-operation in support of the war effort occurring in that period. Much of the legislations, however, were very limited in their applications. During the post-Independence period, the Indian central government was responsible for labour legislation that promoted labour interests. The government developed a five-year plan that dealt with “all phases of the worker’s life, of housing, welfare, work, better working conditions, and fair wages,” which were articulated in the Constitution of India.³ These regulations included Minimum Wages Act of 1948, Employees’ State Insurance Act of 1948, and the Employees’ Provident Fund and Miscellaneous Provisions Act of 1952, and the perhaps one of the most significant legislations regarding working conditions, the Factories Act of 1948.

The objective of the Act was to regulate the working conditions in factories and ensure the provisions of the basic minimum requirements for safety, health, and welfare of the workers as well as to regulate the working hours, leaves, holidays, employment of children and women and prevent haphazard growth of factories.⁴ The Factories Act has been amended several times until it became the Factories Act of 1948 as it is known and upheld today. Though the Act its shortcomings, it has largely been responsible for ensuring worker’s safety in factories until this day.

Similarly, the Shops and Establishment Act was established to provide regulation of conditions of work and employment in shops and commercial establishments that are not considered factories and therefore not under the purview of the Factories Act. These conditions include hours of work, overtime work, breaks, holidays, wages, and employment of women and children in shops and establishments.⁵ The Act is a state legislation so each respective state has its own set of framed rules for the Act. For the purposes of this paper I will focus on the hotel industry within Karnataka therefore look at the Karnataka Shops and Commercial Establishment Act, 1961.

³ Mitchell, Mahy & Gahan, 2014, p. 415.

⁴ Statistics of Factories 2001. Government of India: Labour Bureau, web, n.d.

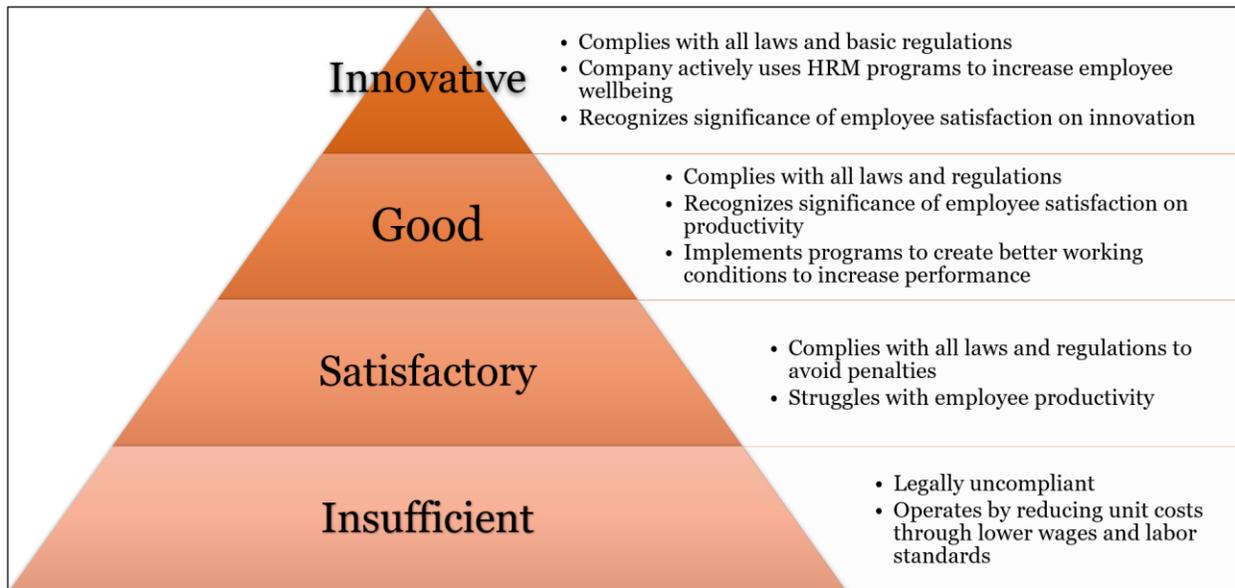
⁵ The Karnataka Shop and Commercial Establishment Act 1961.

Working Conditions

It is important to first define what determines working conditions. For the purpose of this report I will assess companies working conditions based on the categories formulated by the ILO: working time (hours of work, rest periods, and work schedules), remuneration, physical conditions, and mental demands that exist in the workplace.⁶ Throughout this report I will analyze these categories by comparing what the various labour laws mandate and what employers actually practice.

It can generally be assumed that labour markets are not perfectly competitive and therefore, employers usually have a greater bargaining power than employees and there is a conflict of interest between employees and employers (such as higher wages versus higher profits). Because of these latter points, workers cannot rely on markets or managers to always serve workers' interests. It is therefore necessary to have provisions to protect workers' rights such as minimum wage laws, occupational health and safety standards, and other labour and employment laws. However, are these laws enough to protect workers? I will explore this by defining the degree to which proper working conditions (based on the conditions defined above) are upheld on a relative scale of: insufficient, satisfactory, good, and innovative.

Figure 1:



⁶Working Conditions, International Labour Organization, web, n.d.

- “Insufficient” means the factories are legally uncompliant and operates by reducing unit costs through lower wages and labour standards. These companies are willing to risk facing the penalties by being incompliant and in fact, consider the penalties they may face as a business cost that can be lower than the unit costs they would save by implementing this strategy.
- “Satisfactory” condition means that companies comply with all the basic laws and regulations but not operating at the most optimal level because these companies may struggle with employee productivity.
- “Good” condition companies utilize programs to create better working conditions in addition to complying with all of the laws and regulations. These companies recognize the significance of better working conditions on employee productivity and thus implement programs to achieve this level.
- “Innovative” condition means companies have implemented human resource management programs at all levels of the company to increase employee wellbeing. These companies go above and beyond to ensure employee satisfaction and high levels of productivity. Additionally, these companies recognize the significance on employee satisfaction on innovation because they believe happy employees are more involved and more motivated to work and innovate.

Factory Working Conditions

According to the Factories Act of 1947, every occupier has to ensure the health, safety, and welfare of all workers while they are at work in the factory. Some of the specific standards include factory cleanliness, drinking water, urinals, fencing of machines, protective clothing, hours, breaks, overtime, etc.⁷ Other acts that pertain to the working conditions of employees include Bonus Act, Gratuity Act, Employees’ Provident Fund and Miscellaneous Provisions Act, Employees State Insurance Act, and Minimum Wages Act. But to what extent are these regulations able to protect workers and motivate them to perform optimally?

From a study done to examine the impact of the Factories Act on Industrial Relations in the manufacturing sector, it was found that the health, safety, and welfare provisions in the

⁷ The Factories Act 1948.

manufacturing sector is proficient in maintaining industrial relations.⁸ In terms of health provisions (cleanliness, disposal of waste, ventilation and temperature, dust, and drinking water), majority of respondents reported to be satisfied with the current situation. This response is similarly seen with the safety provisions (work on or near machinery, employment of young persons on dangerous machines, hoists and lifts, excessive weights, and precautions in case of fire), as well as welfare provisions (washing facilities, facilities for sitting, shelter, lunch rooms and rest rooms, and daily hours). This suggests that facilities are in adequate condition and if kept in good condition provide for at least a minimum level of protections for workers, Later I will discuss the effects these protections may have on the company as a whole. This highlights the role that the Factories Act plays in driving companies toward growth of the manufacturing sector. It is clear that organizations should emphasize creating and maintain a lawful environment by following the provisions of the various acts formed by the Indian Government. But are regulations sufficient in maintaining healthy working conditions, especially when generally speaking most workers are not aware of all the regulations, and motivating employees and how can companies effectively utilize the working conditions to maximize the efficiency of workers? Enumerated below are scenarios that seek to illustrate the level of proper working conditions and their effects on the organization.

Insufficient

Company W is a garment industry located in Bangalore. This company has over 100 employees and therefore must comply with most, if not all, labour and employment laws pertaining to working conditions such as Factories Act, Payment of Bonus, Payment of Gratuity, Employees State Insurance Act (ESI) and Employees' Provident Fund (EPF) and Miscellaneous Provisions Act. In terms of basic pay and benefits most of the workers of Company W are registered for social security schemes such as the ESI and EPF and has on-site health care facilities and about nine in ten workers report that wages are always paid on time. However, in regard to overtime, a quarter of workers report to regularly work more than 10-hour days and are sometimes not paid the overtime rate, which is in violation of Section 51 and 59 of Chapter VI of the Factories Act. In terms of mental demands, verbal abuse and threats from supervisors or

⁸ Neeraj Kumari & Rajnish Ratna, "Study of Factories Act Provision and Industrial Relations in Manufacturing Sector," *Journal of Public Policy and Governance* 2014, 1(1), p. 46.

managers were common for not meeting production targets or doing the required overtime and in terms of representation, very limited exists at the factory level as less than a quarter of workers are even aware of workers' committee at the work place. Clearly, there is a disconnect in how management might perceive working conditions and how actual working conditions exist.

When there is limited representation of workers in the factory lines, it is up to the individual workers to know their rights and terms. However, less than four in ten workers in company W received employment contracts and less than half of them fully or partially understood its content. This shows that even though these regulations may exist to protect workers, many workers are not even aware of the regulations nor the terms of their employment contract. It is clear that this company is willing to take the risk of the penalties from violating these sections because of marginal production employees produce. This company would be classified as legally uncompliant largely because it has violated many labour and employment regulations.

Company W is representative of the textile industry in India and the statistics are taken from a report generated by the Industrial Labour Organization (ILO) describing working conditions in India's garment industry which contributes about 14% to industrial production in India.⁹ Over the years, the industry has transitioned from largely informal to largely formal, factory-based industry that is highly dependent on labour inputs with the largest centers in Bangalore, Tirupur, and Chennai. This has largely made the industry extremely responsive to input cost, which can serve as a motivator to lower wages. In fact, low-cost labour is essential for industry competitiveness in the garment industry and as a result the industry is often subject to allegations of labour abuse for long hours, poor wages, forced overtime, and poorly kept facilities.

Satisfactory

Company X is a technology manufacturing unit where it employs over 400 workers in Mysore. Company X is compliant with all legal regulations and works constantly to ensure compliance. This company even actively employs and practices an equal opportunity policy by constantly recruiting and hiring people with disabilities. However, Company X struggles with employee—employer relations and has thus faced constant labour strife from the workers.

⁹ "Insights into working conditions in India's garment industry," Geneva: ILO, 2015.

Specific instances such as employees were being transferred has caused huge contentions largely because employees not understanding the prerogatives of management and management not considering the impact the incident may have on current employees. The Company has also faced issues of pay raises where the natural conflict of interest between employee and employers took drastic measures when employees decided to strike. Again, the Company suffers with its industrial relations as the employees do not understand that their wages are already higher than industry norms, so management cannot afford to pay more, and management is unable to effectively communicate this reasoning to employees.

This scenario is based on a factory tour and a number of interviews with HR managers and employees. Clearly, Company X values complying with all the laws, especially as it has a large global presence. The company prides itself with its corporate social responsibility program to actively seek, hire, and train people of disabilities; however, it fails to establish a level of sufficient mutual understanding with the workers. The Company employs the basic standards of the legal regulations but has not actively implemented a successful human resource management program to actively engage with employees at all levels of the company. As a result, employee dissatisfaction and labour strife may be common.

Good

Company Y is a sugar manufacturing company in Maharashtra which produces about 36% of the total sugar in India. In terms of legal compliance, Company Y actively follows and upholds the various labour regulations regarding health, safety, welfare, grievance procedures and even offers additional amenities. 70% of employees agree that they get proper health and safety facilities and 68% of employees agree that there are proper recreation & refreshment facilities. In terms of physical and mental demands, 70% of employees agree that the physical and mental may have an effect on employee performance, however, 69% of employees express that their work involves fatigue and boredom. Lastly, 72% of employees agree that the attitude of supervisors is not harmful.

Company Y is representative of sugar factories and the statistics reported above are based on a study done by a professor at Savitribai Phule Pune University analyzing the effects of the

work environment on job satisfaction.¹⁰ These companies realize the impact of the work environment on job satisfaction. In fact, the statistics show that even the employees understand the impact and while most of the employees find the role can be boring and menial, most agree that in terms of safety and welfare, the company does a good job in providing the proper and safe facilities.¹¹ The results of the study show that the workplace environment of the studied factories is suitable for the employees and the companies recognize that they can retain their employees by implementing the stated amenities. However, the company still struggles with employees' workload, fatigue, and stress that may decrease job satisfaction. But because of the good working conditions, refreshment & recreation facilities, health & safety facilities, their job satisfaction remains relatively high.

Innovative

Company Z is a food manufacturing company in Mysore, India that employs over 1000 workers. The employee—employer is based on a system of mutual trust. Workers are educated and constantly informed of their rights as workers. In fact, surveys are regularly distributed biannually to gauge employee satisfaction and to give employees a platform to directly express concerns. In terms of legal compliance, company Z meets the standards of the labour employment laws including all sections of the Factories Act, Payment of Bonus Act, Payment of Gratuity Act, Equal Remuneration Act, EPF Act, and ESI Act. In many cases, Company Z goes above the minimum requirements by the law and actively seeks to improve working conditions by paying economically competitive wages and bonus, offering opportunities for promotions, and providing excellent standards of fringe benefits. For example, not only does Company Z provides health insurance to most workers and has a plan in place for emergency situations, the company also has an on-grounds certified fire department and nurse.

The observations of Company Z are based on a factory tour visit and from interviews of employees and managers. Company Z represents the innovative category as they understand the value of the workers and establish a friendly relationship by employing trust. This in turns allows the workers to trust the managers. Company Z is most innovative by employing an HRM

¹⁰ Ganesh Salunke, "Work Environment and its Effect on Job Satisfaction in Cooperative Sugar Factories in Maharashtra, India," *Abhinav International Monthly Refereed Journal of Research: India*, 4(5), 2015. Retrieved from

¹¹ *Ibid.*

program that seeks to recognize employees for their accomplishments, ensure employee satisfaction, and seeks heavily to retain employees on a long-term basis. This is evident as many workers have worked in the factories for at least 25-34 years.

Shops and Industrial Establishment Working Conditions

The Shops and Establishment Act governs businesses and industries that fall out of the scope of factories. A shop is any premise where trade or business is carried on or where services are rendered to customers but does not fall within the scope of the Factories Act, 1948.¹²

An establishment is any commercial or trading or banking or insurance establishment, or an established or administrative service where persons are mainly engaged in office work, hotel, restaurant, boarding or eating house, a café or any other refreshment house.¹³ The Shops and Establishment Act is a state legislation so each respective state has its own set of framed rules for the Act.

The Karnataka Shops and Establishment Act regulates conditions of employment such as working hours, overtime wages, rests, opening and closing hours, holidays, and leaves. Regulations such as the Payment of Wages Act, Workmen's Compensation Act, and other similar acts covering employees in factories apply to shops and establishments as well. Similar to factories, shops and establishments require a quality work life to attract and retain employees on a long-term basis. This is especially true for the hospitality industries as there are many areas of working conditions that can affect employees including front desk, attender, restaurant, kitchen, cleaning, housekeeping, and servicing. In a study done by Govinda Dasa College in Mangalore to examine the quality of life in the hospitality industry, 52% of the respondents (of the 200 employees interviewed from different hotels in Karnataka) were satisfied with the overall quality of work life. In regard to work environment, job satisfaction and job security, and training and development dimensions, respondent show positive responses whereas in regard to organizational culture and climate, compensation, and co-operation, respondents showed negative responses.¹⁴ Nonetheless, to most respondents, the work load, physical working

¹² Karnataka Shop and Commercial Establishment Act 1961.

¹³ Ibid.

¹⁴ Ganesha Acharya & Abbokar Siddiq, "A Study on Quality of Work Life in the Hospitality Industry Employees with Special Reference to D K District of Karnataka," AGU International Journal of Management Studies & Research (2017) vol.5, p. 584.

condition, freedom in work, working hours/timing and fairness, integrity, and trust are satisfactory.

In contrast, there are many aspects of the hotel industry that need to be improved on, including the organizational culture. For example, the hospitality industry tends to have a bias towards hiring males and 20-40-year-old individuals.¹⁵ This represents a need for hotels to develop stronger equal opportunity programs and actively recruit people of different backgrounds. Additionally, while the study revealed that most of the respondents have a positive opinion on job satisfaction and job security, the study also revealed that most of the respondents reported that the employee—employer relationship was not satisfactory. The study concludes that the overall quality of work life in the hospitality industry is marginally satisfactory.

Research looking at the influence of working conditions on workers' motivation shows that proper working conditions are necessary to maintain employee satisfaction.¹⁶ Workers cannot be motivated to perform to their optimal level if their working and service conditions are unable to meet their physical, safety, and mental needs. A good working environment increases job satisfaction, reduces sick leave, lowers job disputes and turnover rates, and increases efficiency, and ultimately creates a stable labour force. Therefore, by providing better working conditions, companies can maximize the efficiency of workers and effectiveness of an organization.

Role of Human Resource Management in Working Conditions

HRM is a process of acquiring, training appraising, and compensating employees and of attending to their labour relations, health & safety, and fairness concerns.¹⁷ Companies that want to achieve the highest level of working conditions must implement human resource management strategies to bring higher levels of employee satisfaction and involvement within the company. These companies also realize that a dynamic economy combined with modern technology necessitates continuously training employees to adapt to the rapidly changing environment.¹⁸ It is at this level that companies can achieve innovation. Not only must companies hire and train

¹⁵ Ganesha Acharya & Abbokar Siddiq, "A Study on Quality of Work Life in the Hospitality Industry Employees with Special Reference to D K District of Karnataka," *AGU International Journal of Management Studies & Research* (2017) vol.5, p. 590.

¹⁶ Working and Service Conditions in Factories, web, n.d., 42.

¹⁷ Reeti Kulshrestha, "Current Employment Trends in the Industry," *International Journal of Research and Analytical Reviews* 15, no.5(2018).

¹⁸ Ibid.

talent, but it is the responsibility of companies to fairly compensate workers, attend to their safety concerns, and not cause unnecessary job stress. It is only through this can a company establish trust with the workers, as previously shown in Company Z.

What extent does job stress affect worker's working lives? Job stress poses threat to workers' physical health and can affect the health of the organization.¹⁹ "Job stress is a chronic disease caused by conditions in the workplace that negatively affects an individual's performance and/or overall wellbeing of his body and mind." Some of the main causes of job stress include job security, high demand for performance, technology, workplace culture, lack of promotional opportunities, unsatisfactory working conditions, and burn out. This in turn can have a negative association with performance and overall satisfaction about their jobs which can affect retention. It is because of this that companies must have HRM programs to effectively utilize employees without causing unnecessary burn out. In fact, companies that do not help employees achieve a satisfactory work-life balance will find it difficult to attract and retain the most capable employees.²⁰ This signifies the need for companies to develop

Conclusion

It is natural for employers and employees to have conflicts of interests. Because of the higher bargaining power that employers may possess over employees, this can sometimes lead to employers to overlook employee interest, including their working conditions. It is because of this that legal regulations exist at the governmental level and employers must actively comply with these regulations. However, are the regulations enough to maintain healthy working conditions for workers? This report sought to analyze the added steps companies can employ to better working conditions and as a result, increase innovation, experience higher productivity, higher employee involvement, and higher retention. Companies that move beyond just labour and employment laws to protect their workers realize the role workers play in the organization and understand how proper working conditions can increase motivation and job satisfaction. High standards of working conditions not only benefit the employees but also the employers as employees are more productive and perform at the optimal efficiency.

¹⁹ Kirti Bhatia & Akhil Goyal, "An Analytical Study of Occupational Stress and its Impact on Employee Performance with Reference to the Female," *International Journal of Research and Analytical Reviews* (2018), no.5, 296.

²⁰R. Balaji, Naga S. Tulasi, Pavithra, & Mukilan, "Impact of Employee Involvement in the Workplace," *International Journal of Research and Analytical Reviews* (2018), no.5, 684.

Limitations

My observations are limited to what I have been exposed to whilst sitting in client meetings at J. Purushotham & Associates, two factory visits, few human resource management interview, and a number of worker interviews. The rest of my research is based on the literature to which I have cited through this report.

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