

# Understanding Employees' Perspective on Employment Relations: A Study on Selected Small Enterprises in India

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## Abstract:

A considerable portion of the Indian economy operates under the Small Enterprises or SEs where the studies on employment relations have largely remained neglected due to some reason or other. As such research in the field of employment relations in SEs will make a fruitful contribution to the existing ER/HRM literature (Wilkinson, 1999). There is complete lack of studies on employees' perspectives in the field of employment relations undertaken from an Indian perspective. Employment relations in the Indian SEs are intricate, complex and understudied due to the precarious nature of employment and the absence of HRM mechanism. Therefore, it becomes imperative to understand how employees perceive employment relations in selected SEs in India. The sample consisted of 40 enterprises belonging to SEs in India. The author has ascertained 'Mixed' research methods for the present research. Finally, discussions have been made highlighting employees' perspectives on employment relations in selected SEs in India.

**Key Words:** *Precarious labour, employment relations, industrial relations, SE.*

## Introduction:

Understanding employees' perspectives has remained one of the most researched dimensions in the field of management and social sciences. Incorporating employees' perspective offers the researchers to conduct the research from a holistic angle. However, the available literature on including employees' perspectives in the field of Employment Relations can still be considered to be at very nascent stage considering the difficulty in accessing the employees while conducting the research. The task becomes more critical when the study is carried out in the context of small enterprises or SEs in India which still represent the informal economy giving rise to precarious employment resulting in several workplace anomalies. Employment relations in the Indian SEs are intricate, complex and understudied. Sisson

(1993) equated the employment relations practices in the SEs with that of a "bleak house". As the subject of employment relations is multi-focussed and multi dimensional in nature, it becomes imperative to understand the perspectives of the employees employed in the organisations. Being a central stakeholder, the employees are in a position to offer significant previews on the major advantages and disadvantages of the employment relations system. With these considerations in mind, the present paper attempts to highlight the employees' perspectives in small enterprises in India which employs large number of precarious workforce. It would be thought provoking to observe how employees in Indian SEs perceive employment relations in the absence of structured mechanism like HRM and presence of precarious working conditions. There are obvious reasons to use the term 'Employment Relations' and not

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'Industrial Relations' or 'Human Resource Management' in the present research. Firstly, the SEs in India are mostly proprietary in nature with absence of formal HRM mechanism. Secondly, the term employment relations encompass both individual and collective relations between the employers and employees. As such, the use of the term employment relations appears to be more convenient for the purpose.

The present paper has been divided into ten sections. The first section offers the conceptual framework of Small Enterprises (SEs) in India. The second section throws light on the literature review on employment relations in SEs. The third section contextualises employment relations in SEs in India. The fourth section deals with the research questions and objectives of the present research. The fifth section discusses the research methodology including research questions, research objectives etc. The sixth section involves in the analysis and discussion of the result. The seventh section highlights suggestion and recommendations. Section eight pinpoints the limitations of the study and section nine discusses the scope for future research. The final section makes some concluding remarks.

### **1. Small Enterprises (SEs) in India: A Conceptual Framework:**

Small Enterprises (SEs) play a very significant role towards sectoral output and employment generation, specifically in the private sector (Storey, 1994). SEs are found to be functional in diversified range of sectors covering manufacturing, construction, retail, wholesale, logistics, services including hospitality, healthcare, personal care etc (Fashoyin, 2006). The sector is also considered to be highly labour intensive. Thus, the sector becomes all the more important for a labour surplus and employment scare country like India. Considered to be the backbone of the country, Indian SEs generate around eighty percent

of employment and the sector is widely recognised to fall under the informal or the unorganised sector. India being a nation of diversified workforce, SEs are very important for job creation, structural transformation, gender parity, and inclusive growth of India.

The Small Enterprises in India operate and are regulated by the Micro, Small & Medium Enterprises Development Act (MSMED), 2006 passed by the Government of India in 2006. With the passing of this Act, the erstwhile Small Scale Industries (SSI), Cottage and Village industries, traditional industries like khadi, coir and silk, small scale service and business enterprises under the purview of MSME. As per the MSME Act, 2006, Small Enterprises (SEs) consists of enterprises, whether proprietorship, Hindu undivided family, association of persons, co-operative society, partnership or undertaking or any other legal entity, by whatever name called, engaged in production of goods pertaining to any industry specified in the first schedule of Industries Development and Regulation Act, 1951 & other enterprises engaged in production and rendering services, subject to limiting factor of investment in plant and machinery and equipment respectively as stated below:

#### **A. An enterprise under the Manufacturing sector will be considered as 'Small' if:**

(a) total investment made towards plant and machinery is more than 25 lakhs but less than 5 crore rupees;

#### **B. An enterprise under the Service sector will be considered as 'Small' if:**

(c) total investment made towards plant and machinery is more than 10 lakhs but less than 2 crore rupees.

When the structural changes and realignment

practices were introduced to strengthen the economic health of the nation, the policy makers also focussed their attention on the ways in which the SEs can contribute towards the development of the country in a more positive manner. But the process of providing impetus to SEs in India was quite slow. However, with the ratio of jobs declining in the organised sector, the government authorities could not keep themselves away from giving heed to the potentialities of SEs. SEs includes both private and public enterprises in an economy and has substantial role to play in their growth and development (Ardicet *al.*, 2011). The fact that SEs are major source of resource suppliers to large enterprises and soaking ground for workers with little skill or no skill cannot be ignored. Ample researchers have also been carried out to highlight the linkages between small and large enterprises. It is now being observed that SEs are contributing towards the development of Indian economy in a more positive and structured way.

## 2. Literature Review on Significance of Employees' Perspective in Employment Relations:

As the research in the field of human resource management and its allied areas progressed, the role played by the employees also took centre stage in the annals of literary studies (Guest, 2017). Several researchers have undertaken studies to understand the importance of employees' perspectives in employment relations. Generally scholars like Mead (1934) and Piaget (1932) are considered to be the first to highlight the importance of employees' perspective in research. Nesan & Holt (1999, cited by Ayupp & Chung, 2010) elaborated on how the neglect in considering employees' perspectives fails to offer an overall picture of the research being undertaken. As the perspectives of the employees are driven by their own beliefs and perceptions, it becomes

important to include their take on the research issues undertaken. Analysing employees' perspectives also facilitates in understanding the different aspects related to psychological contract which signifies the informal intentions of what the employees expect from their employers in return and vice versa (Dulacet *al.* 2008). Better understanding of psychological contract helps in underlining different attitudes and behaviours such as job satisfaction, organizational commitment, turnover intentions, etc (Khorevaet *al.* 2017). In the same light, Morrison (1994) in his study on Organisational Citizenship Behaviour had pointed out the varying nature of perspectives of both the employers and employees. For balanced employment relations it is important that employees' viewpoints are always taken into consideration in organisations. Organ & Ryan (1995) also seem to be in unison with the findings by Morrison (1994) and they also highlighted how employee's perspective ensures the management practitioners to manage employees in a more effective manner. Researchers like Parker & Axtell (2001) had also discussed in their study on the need for employees' perspectives in empathizing the conflicting viewpoints between the different stakeholders in any organisation. Wilkinson *et al.* (2014) in their study highlighted on the crucial role employees' perspectives play in the formulation of policies and strategies which strengthens employment relations at workplace. Prottas (2013) also highlighted how understanding employees' perspectives proves to be beneficial in devising strategies to develop the motivation, commitment, dedication, organisational citizenship behaviour of the employees.

However, scholars like Buren & Greenwood (2008) have observed employees' perspective from an ethical perspective. They consider employees' perspectives in employment relations as an instrument which helps employees to raise their

<sup>1</sup> <https://www.livemint.com/Opinion/X1dFJK1jxn8pP8GeBlv9YK/The-persistence-of-small-enterprises-in-India.html>

<sup>2</sup> <https://www.livemint.com/Opinion/X1dFJK1jxn8pP8GeBlv9YK/The-persistence-of-small-enterprises-in-India.html>

voice and concerns in organisations. Paying heed to employees' perspectives simply indicate to the fact that employers are assertive and dominate the employees which makes employment relations more sound and healthy. Ferrary (2009) highlights that since the voice of employees in organisations are very rarely given importance, it is important to include employees' perspectives as they offer valuable insights into the advantages and disadvantages of the organisational system. The perceptions of the employees about the organisation can also affect the operations and employment relations system as well. If the employees feel or perceive that there is existence of healthy employment relations exist in the organisation, they are more likely to be devoted and committed towards their job assignments making them feel more secured and satisfied towards their jobs which, ultimately will lead towards better business performance of the firm (Patrick, 2008).

Thus, it is evident from the existent literature on the subject that employees' perspectives play a very pivotal role in the management of employment relations in every organisation, whether big or small. Based on survey of existent literature on the subject, the next section will highlight the existent patterns of employment relations in Indian SEs.

### 3. Contextualising Employment Relations in SEs in India:

Employment relations and patterns of employment in the SEs are different from other sectors not only in India but also well across the globe. Several anomalies remain existent in the name of informal or unorganised sector. The sector engages workforce which is largely devoid of any formal training and education. The employees also are unskilled or semi-skilled in nature. Several researches have been undertaken in Indian context to highlight different aspects related to SEs in India. Papola (1980; Noronho (1996); Mukhopadhyay *et al.* (1998) have pointed out the following characteristic features of the SEs in

India:

- Fragmented and scatteredness of the sector.
- Seasonal nature due to which the workers do not have continuous and stable source of employment. Also, the sector offers disguised employment.
- The remunerations offered to the employees are not decent. Also, the quality of jobs is also questionable.
- Trade unions have very weak foothold in the sector. Mechanism of collective bargaining is largely absent.
- Employers also do not implement labour laws and the employees largely remain unaware of the legislations which protect their rights and interests.
- The formal employment relations are missing in the sector.

However, as the entry constraints for willing workforce are very limited in the sector, the sector is able to attract large number of workers at any point of time. The employees engaged in the sector are mostly temporary in nature without being offered any social assistance, protection security. The alternatives of formal job guarantees and written employment contracts are also absent giving rise to oral agreements on wages and other employment related issues. The wages paid are often below the statutory limits and the regulatory bodies are yet to exert their muscles on the employers to comply with the law. Cooke (2005) highlights how employees in the sector are paid lower wages with no employee benefits and social protection. To cut short, employment relations in SEs are considered to be very sensitive issue (Cassellet. *al.*, 2002, Ceranic' & Popovic, 2010, Saini & Budhwar, 2008) and there is immense cope to examine and explore the intricacies involved in the process of employment relations in SEs.

### 4. Research Objectives:

Taking the previously held discussions into considerations, several research questions can be developed in the light of the subject under study.

The research questions include:

- What is the existing pattern of employment relations in selected SEs in India?
- How do employees perceive employment relations in selected SEs on the identified aspects concerning employment relations?
- Are there any differences in the opinion of employees across the sectors under study?

In the light of the above identified, the author has tried to identify the following research objectives:

- Identification of the unique aspects of employment relations considered important by employees in selected SEs in India.
- Understand the perspectives of employees on the identified aspects of employment relations.
- Understand the differences of opinion among the employees employed in the identified sectors.

## 5. Research Methodology:

Highlighting the complexities and intricacies of the SEs, Ram (1991) considered this sector to be full of disharmony and autocratic practices. Several researchers have described the sector to be governed by autocratic and dictatorial practices with unregulated working conditions minus social security provisions (Rannie, 2002; Fashoyin, 2006). All these definitely have serious implications on the perspectives of employees about the existent employment relations. With these considerations in mind the author intends to understand the perspectives of employees on employment relations in selected SEs in India. The sectors chosen for study include the Rice Mills, the Handloom Weaving, the Hospitality sector and the IT/ITeS sector in India. The definition of Small Enterprises as proposed by the Government of India is taken into consideration while selecting the SEs. 40 SEs with 10 enterprises belonging to each sector has been selected for the study purpose. Snowball Sampling was followed to select the enterprises. Questionnaire survey along with

Focus Group (FG) has been ascertained to collect the data from the respondents. The questionnaire included 21 items which are related to different dimensions of employment relations like employee voice, communication, grievance mechanism, support system etc. Focus group as a research instrument was ascertained as it was imperative to explore or “focus” on the specific issues concerned with understanding the perceptions, opinions and motivations of the employees under study (Resselet. *al.*, 2002; Edmunds, 2000). A total of 373 responses of the employees employed in the four sectors have been recorded. 'Triangulation' or 'Mixed' method involving both qualitative and quantitative strands has been used to analyse the data collected. Under qualitative strands Grounded theory and Conversation Analysis have been ascertained, whereas under quantitative strand, descriptive statistical tools along with non-parametric tests have been deployed. The analysis and discussion have been elaborated in the following section.

## 6. Analysis & Discussions:

Keeping the importance of employees' perspectives in existing literature discussed previously and the research objectives in mind, the present section discusses how the employees perceive employment relations in the selected SEs under study and whether their perceptions vary across sectors. With the help of Grounded theory important aspects considered to be important by the employees were highlighted. The general purpose was theory building concerning important parameters of employment relations. Data for grounded theory have been collected through instruments like questionnaire survey, Focus Groups (FG), Conversation Analysis etc. Rigorous study of contents in the form of Content Analysis was also conducted to validate the identified the parameters. All this resulted in the identification of aspects such as healthy employment relations, well being, collective representation, compulsions, regulations, and collective bargaining considered to be very important by the employees engaged in

SEs in India. The existences of these parameters are very likely to shape the perceptions of employees in a positive or negative manner. To understand how far the employees engaged in the sectors under study give importance to these aspects, descriptive statistics like Mean and

Standard Deviation (SD) was employed. For this purpose, responses of employees with different background variables viz. modes of employment, work experience, union membership and sector of employment were recorded. The results have been posted below in Table 1.1.

**Table: 1.1**

| Sector      |      | Healthy ER | Well-being | Collective Representation | Compulsion | Regulation | Collective bargaining |
|-------------|------|------------|------------|---------------------------|------------|------------|-----------------------|
| IT/ITeS     | Mean | 3.4865     | 3.3784     | 3.8919                    | 3.3919     | 3.5811     | 3.1892                |
|             | SD   | 0.91026    | 0.87119    | 0.73219                   | 0.97668    | 0.72162    | 0.90168               |
| Hospitality | Mean | 3.2471     | 2.967      | 3.9412                    | 3.2353     | 2.4706     | 2.4235                |
|             | SD   | 0.68844    | 0.69774    | 0.49649                   | 0.6662     | 0.71694    | 0.69653               |
| Weaving     | Mean | 3.3837     | 3.2326     | 4.2442                    | 2.9651     | 2.3837     | 2.2442                |
|             | SD   | 0.63558    | 0.62637    | 0.5517                    | 0.519      | 0.68888    | 0.64963               |
| Rice Mill   | Mean | 3.7302     | 3.2381     | 3.5238                    | 3.0159     | 2.5714     | 2.6508                |
|             | SD   | 0.70038    | 0.71198    | 0.61846                   | 0.52339    | 0.75593    | 0.78614               |
| Overall     | Mean | 3.4416     | 3.1948     | 3.9286                    | 3.1526     | 2.7338     | 2.6039                |
|             | SD   | 0.75273    | 0.74044    | 0.64679                   | 0.71245    | 0.8621     | 0.83427               |

Table 1.1 clearly indicates that employees across different sectors consider the identified aspects to be important for them. However, aspect of collective representation is considered to be most important for employees all sectors. This may be due to the very reason that collective representation gives strength to them and helps them get their demands accepted. Similarly employees engaged in the IT/ITeS sector feel the need for collective bargaining. Recent years have witnessed several incidents of random hiring and firing of employees in the IT/ITeS sector. Under such conditions the employees give the mechanism of collective bargaining very much importance as the mechanism has the potential to protect them from

the exploitative practices of the employers and strengthen their position in the organisation.

Thereafter, non-parametric test like Kruskal Wallis Test was used to observe whether any statistically significant difference in opinion with four identified variables among the employees of all the four sectors on the six facets of employment relations exists or not. It was found the employees working in all the four sectors have significant statistical difference on opinions regarding the aspects of employment relations. Perception regarding different facets of employment relations is likely to vary from sector to sector. It is evident from table 1.2 that statistically significant

**Table: 1.2. Results of Kruskal Wallis Test**

|             | Healthy Employment Relations | Employee Wellbeing | Collective Representation | Management Compulsion | Regulation Awareness | Joint Determination |
|-------------|------------------------------|--------------------|---------------------------|-----------------------|----------------------|---------------------|
| Chi-Square  | 21.084                       | 12.935             | 62.951                    | 19.109                | 93.547               | 64.250              |
| Df          | 3                            | 3                  | 3                         | 3                     | 3                    | 3                   |
| Asymp. Sig. | .000                         | .005               | .000                      | .000                  | .000                 | .000                |

differences exist in all the six identified facets of employment relations. The employees in different sectors have to work in different work settings with different provisions and facilities available to them. As a result, the differences can be observed on the basis of existing employment relations practices in their respective organisations.

### **7. Suggestions & Recommendations:**

In the light of above discussions, it can be said that understanding employees' perspectives in the field of Human Resource Management has become very much significant now. The above study to some extent highlights important dimensions of employment relations in selected SEs in India. At the same time it also highlights the importance employees attribute to these identified dimensions. The need of the hour is that employers take cognizance of the aspects that are missing in their organisations so that healthy employment relations could be built. Considering the prevalent employment anomalies, the government agencies must work towards ensuring 'decent work' provisions to the employees and ensure speedy and effective implementation of legislative measures related to working conditions, wages, social benefits etc. This will facilitate at improving the perception of the employees not only towards their employers but towards government as well.

Informality of the SEs in India serves as one of the major reasons for employees perceiving employment relations in a negative manner. Therefore, urgent needs are required to formalise the sector so that employers cannot escape with their responsibilities towards the employees. At the same time, the employers must also understand the important role of Human Resource Department and try to establish the same in their respective organisations. This will cater towards taking care of the needs of the employees and will help in building sound employment relations.

### **8. Limitations of the study:**

Every study suffers from certain limitations and so does this study. The present study remains confined to only four sectors under SEs in India. Therefore, the results are likely to vary in case of more sectors would have been included in the study. Also, the number of enterprises selected for the study is confined to only 40. More enterprises need to be included to substantiate the findings of the study. It shall be taken into account that the employees under the study were employed in the informal sector where there are no provisions of employment safety and security. Under such conditions the employees were unwilling to give appropriate responses during the Focus Group sessions. As a result, the outcome of the research is likely to be shifted in favour of the employers. Also, it was difficult getting access to the employees engaged in the sector. The employers were reluctant giving access to their employees. But irrespective of its deficiencies the present results are projection of employees' perspectives in the identified SEs in India.

### **9. Scope for further research:**

The present study offers the interested researchers to undertake further investigation concerning employment relations. The present study is confined only to the extent of understanding the perspectives of employees in selected SEs in India. Further research is required from a comparative perspective to understand whether there is uniformity in perspectives of employees engaged in other sectors as well. Also, employee perspectives on other dimensions of employment relations also need to be researched on an exhaustive scale. Researchers may also undertake studies from an international perspective to observe what employees perceive in SEs operating outside India.

**10. Conclusion:** Employment relations is something with which employees involved for substantial portion of their lives (Sisson, 2008). Therefore, it becomes imperative to give space to

the perspectives of employees while discussing the subject. Ignoring employees' perspectives can prove fatal for organisations. Industrial history of India is filled with such incidents where paying ignorance to the employees' perspectives proved disastrous. To make workplace more employment friendly mechanisms like worker representations, collective voice, representation, employment security, joint determination etc must be offered to the employees. The employees in SEs have to work under extreme exploitative and repressive conditions. The sector is flooded with atypical employees. Under such conditions it is important that employees' perspectives are recorded and paid heed to. This will help in creating a trustworthy and healthy climate of employment relations. Emphasising on healthy employment relations in SEs are need the need of the hour to keep the country moving ahead from every perspective.

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