Impact of Human Resource Management Policies and Digitalization on the Public Sector Enterprises in India

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Abstract

Any organization’s success is determined by the quality of its human resources. Human resources, in the form of personnel, are the most vital and valuable assets that any firm has. In the changing and globalized environment, enterprises are supposed to give more thought to quality and human resources needs to become sustainable. Productivity and efficiency of the employees are two of the top factors influencing organization success.

Digitalization has become necessary for the Indian public sector and markets in the present scenario. The Digital India initiatives have transformed Indian market into a digitally empowered knowledge economy. It is a scheme of the Indian Government to assimilate the various public sectors and the people of India. It seeks to provide Government services to the citizens of India in online format than paperwork.

The aims of this study consist validation of a framework for assessing the associations among HRM policies and digitalization of the public sector enterprises in India.

Keywords: Human Resource Management, Business Performance, Digitalization, Productivity

Introduction

The success of organizations will depend on the efficiency of workers. Job satisfaction is directly related to an employee’s performance and productivity. Before the 19th century, improving the working conditions of employees in the organization was a key issue of reformers. The employees were struggling for an improved working environment. “For increasing the worker’s productivity in more efficient ways and less fatigue, F.W.Taylor developed the theory of Scientific Management”

“At the beginning of the 20th century, many managerial functions like purchasing and personnel began to be performed by specialists with the growth in the organizations”. This led to the establishment of the first personnel departments in 1910. The work by individuals such as Frank and Lillian Gilbreth dealt with task design and
efficiency. “The Hawthorne Studies, conducted by Elton Mayo in the mid-1920s, revealed the impact of workgroups on individual workers”\(^3\). Eventually, these works result into employee counseling and testing in the industry.

The origins of the personnel function can be traced back to the 1920s with the concern for labor welfare in factories. In 1940 to 1950s the personnel management of industrial sector was growing in a systematic manner with consideration of collective bargaining and union/management relations. The ‘Planning Commission’ was set up in 1950 to regulate national plans for economic development of the nation. In 1960 to 1970 the rapid changes were made in HR related matters in most of the industrial sector, with covering the changing competitive environment, social and legal requirements. The HR departments more focusses on Human resources that are energetic, knowledgeable, and motivated help organizations achieve their objectives. The amount and quality of an organization’s human resources are directly linked to its performance and production. “Employment costs and the return on these costs are central concerns, leading to a desire for adaptability, flexibility of people and to the use of outsourcing arrangements to reduce the costs”\(^4\).

HRM is playing a noticeable role in bringing about changes in Indian organizations. Every industrial relations system involves three groups of actors: (1) Workers and their organizations, (2) Managers and their organizations, and (3) Government agencies concerned with the workplace and the work community\(^5\).

Every industrial related system creates a complex rule to govern the workplace and work community. These rules may take various forms in different system – agreements, statutes, orders, decrees, policies, practices, and customs.

![The Organization of a Work System](image)

**The Organization of a Work System (Source: After Beer et al. 1985: 570.)**

**The Relationship between Human Resources and Business Performance**

Indian economy was not favorable in 1990s the nation was facing various difficulties, challenges and economic crisis. As impact of economic crisis the inflationary rate was in double-digit, declining in industrial production, fiscal disturbance, borrowing was costly to the GNP and a poor conditions of foreign exchange reserves. To cover the issues GoI, announced a new Model-LPG (Liberalization, Privatization and Globalization) with the devaluation of the Indian currency. “Numbers of reforms were undertaken in the public sector in trade and exchange policy, in the banking sector and foreign investment was liberalized”.\(^6\)

In addition, Indian firms were under a great pressure to change from indigenous, costly and probably less effective technology to a high, more effective and costlier technology. The current policies imply a switch from labour-intensive to more capital-intensive methods of production, and therefore, a new requirement for organizations is to remove surplus labour and to generate new sustainable employment. Indian organizations were attempting to improve quality and match world standards such as ISO 9000. The aim is to increase productivity, reduce costs and over-
manning while generating employment, improving quality and reducing voluntary and involuntary absenteeism.

All the threats and opportunities created by the liberalization of policies have a significant implication for HRM. This is because the liberalized policies aim to increase productivity, reduce costs, improve quality, generate employment, reduce over-manning in Indian industry (downsizing) and create a significant drop in the incidence of industrial sickness. To Indian HRM academics, the implications of liberalization are anticipated to be wide-ranging. Since these reforms, the economy has responded positively and India is now considered as one of the largest emerging nations, having bypassed the Asian economic crisis of 1997–98. In a report IMF forecasts that, by 2025, India could contribute as third largest economy in the world.

Relationships in the Contribution of HRM to Organizational Performance

The most essential “M” in the management of four “M”s - men, machines, materials, and money- is “M” for management of men or human resources. As a result, an organization must maintain a high degree of dynamism, competency, motivation, and effectiveness in its human resources, which necessitates sound human resource management. In reality, one of the most important areas of management action is the management of Human Resource.

Human Resource and Business Planning:
Strategic
Global Appearance
Long Term
• Assessing workforce trends and issues
• Engaging in community workforce development planning
• Assisting in organizational restructuring and downsizing
• Advising on merger and acquisition
• Planning compensation strategies

Operational
Supportive
Medium Term
• Managing compensation programme
• Recruiting and selecting for current opening
• Conducting safety training
• Resolving employees complaints

Budgeting/Administrative
Processing and Ground Work
Annual/Short Term
• Administering employee benefits
• Conducting new employee orientation
• Interpreting HR policies and procedures
• Preparing equal employment reports

Indian managers believe that regulations and standards specific to a particular sector (industry) act as a guideline for HR policies in organizations belonging to that industry and they are required to abide by these. Until 1962, large pharmaceutical companies in India employed unmarried female workers in their manufacturing and packaging areas. This was due to the type of equipment used and the perception that female workers were better suited to the job. However, this trend has now changed, as the pressure to manufacture more has forced the pharmaceutical firms to move to a six-day working week and work is carried out in three shifts.

Similarly, there are some sector-specific HR practices prevalent in other sectors. For example, in the booming software and information technology sector, the patterns of HR practices are significantly different. Due to the tight labour market and rapid growth of these sectors, their salary structure along with different perks offered is very high. Despite handsome salaries, the employee turnover rate in the computer and information technology-related industries is very high. Different mechanisms such as profit-sharing schemes, share option schemes, overseas holidays, company house, company cars, etc. are offered to retain employees in such sectors.

Essentials of Human Resource Management
The competitive advantage of an organization is reciprocal to its productivity. However, better productivity does not essentially mean more is produced. A handy way to measure the efficiency of a labor force is the total cost of people per unit of output. Fundamentally speaking, productivity is a computation of the quantity and quality of work done, considering the cost of the resources it took to do the work. It is also helpful to analyse productivity as a proportion between input and output. This relation indicates the value added by an organization or in an economy.
Cost of HR versus Value Added of HR
Digitalization, HR and Sustainable Development

**Sustainable Development**

Sustainable development may be described as a capability to attain equilibrium between ‘the long term production capacities and its own resources’8. The Brundtland Reports defines the term as, “Sustainable development is the development that meets needs of the present without comprising the ability of future generations to meet their own needs”. Sustainable Development entails the basic needs of everyone by satisfying their ambition for a better life.

Three fundamental objectives of sustainable development were highlighted through a Canadian workshop in 1990:
- Economic objective
- Environmental objective
- Social objective.

**Digitalization and HR**

Deloitte has recognized top three human capital trends in 2018 that need immediate attention.
- Future organizations,
- Learning skills for boosting career development , and
- Accumulation of knowledge

In the present scenario, in competitive markets, the automation is changing jobs’ nature which is not limited to employee engagement: 74% of industries found that automation results in “better jobs”; 34% of industries targeted to be “fully automated” in forthcoming five/six years; 40% of industries expect to retrain workers side by side with robotics and AI; and in 55% of industries, the role of HR is not more effective.

There is an escalating shift in focus towards the employees in organizations today which is very much evident in the current HR tech trends. Intensification of everything, reinventing performance management, embedded analytics, feedback and pulse surveys, wellness and fitness apps, AI-based recruitment platforms, diversity and inclusion products, team management tools, and the emergence of Teams, Slack, Workplace, and G Suite.
Conceptual Model for Human Resources and Digitalization in the Enterprises

HR Evaluation Model

Both the contributions made by the HR towards organizational effectiveness and the competence of the department should be acknowledged. Highly motivated personnel is difficult to replicate, which is an advantage that improves organizational effectiveness. Similarly, the related increase in labour has witnessed an upward trend. But in comparison to the increase in Small Scale Industries, the workers found were lesser.

Conclusions

Effective use of people in the organization can provide the organization a competitive advantage in terms of both national and international standards. Organizational human resources have grown as a strategic emphasis because. As emphasized by the HR management, employees in any organization are valuable assets who can be seen as organizational investments. In order to play a tactical role, the HR must pay attention to the long term suggestions of HR issues.

The major outcome of this research lies in the relation between HR and Business Performance. The role of digitalization from the perspective of HR management has a constructive affect on the sustainability and competitiveness of the public sector industries. The present model offers a positive impact of human resource costs and planning.

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