

## **HR POLICIES TO RETAIN GREY AND BLUE COLLAR WORKFORCE AT MSME: An Overview**

**Col. Nisheeth Kumar Rai (Retd.)**

Research Scholar  
Business Administration  
IKG, Punjab Technical University, Jalandhar  
(India)

**Professor RamandeepKaurChahal**

Supervisor  
Business Administration  
Golden Institute of Management & Technology,  
Gurdaspur

### **ABSTRACT**

Human resource policies are the guidelines for a variety of employment relationships and identify the intentions of the organisation in recruitment, selection, development, promotion, compensation, motivation, and integration of human resources. Policies also define how the company will deal with stakeholders, employees, customers, suppliers, distributors, and other important groups. Policies, at the same time, narrow the range of individual discretion so that employees act consistently on important issues. Focusing on employee retention, at a time when companies are experiencing mass layoffs and temporary staffing has become very popular, may not be of interest. The pursuit of the present paper has been taken from the Doctoral Research and hence used the basic academic works of the said research to present it in summarized form. Against this background, a modest attempt has been made to have an overview of HR Policies to retain Grey and Blue Collar employees at MSME.

**Key Words:** HR Policies, Employee Retention, MSME, Blue-Collar

Worker, Grey-Collar Worker, Human Resource Management.

### **INTRODUCTION**

HR philosophy provides general guidelines for managerial actions; HR policy provides more specific guidelines for making decisions on matters relating to management of human resources. The term policy has been derived from the Greek word *politias* meaning citizen and Latin word *politis* meaning polished, that is, to say clear. According to New Webster Dictionary, policy means the art or manner of governing a nation, the line of conduct which rulers of a nation adopt on a particular question specially with regard to foreign countries, the principle on which any measure or course of action is based. In the organisational context, a policy is a statement or general understanding which provides guidelines to members of the organisation for making decision in respect to any course of action. Policies define how the company will deal with stakeholders, employees, customers, suppliers, distributors, and other important groups. Policies narrow the range

of individual discretion so that employees act consistently on important issues.

An organisation may provide policies for dealing with external factors or for undertaking internal processes which relate to various functional areas. HR policies fall in the latter category. HR policies provide guidelines for a variety of employment relationships and identify the organisation's intentions in recruitment, selection, development, promotion, compensation, motivation, and integration of human resources. Human resource policies are continuing guidelines on the approach the organisation intends to adopt in managing its people.

A policy in any area has general objectives and specific objectives. The statement of general objectives should express organisation approach towards the particular area or function, that is, human resources underlying their importance and role in achieving organizational objectives on a long-term basis. The specific objectives are related to the specific activities of that area that is, recruitment, development, appraisal, human resource mobility, incentive systems, industrial relations, etc.

Employees' relation is an important aspect of HR policy. It involves taking all measures to encourage maximum employees to remain in the organization for the maximum period of time. The top organizations value their employees and try and keep them glued to the organization. Focusing

on employee retention, at a time when companies are experiencing mass layoffs and temporary staffing has become very popular, may not be of interest. Yet, high-level players will always be in demand. Inspiring, satisfying and reining top players in an organization are the key business objectives in any economic environment. In a recession, the challenge is to motivate them to perform their 200% to achieve results. Recession purifies the system and helps in selecting the best from the rest. Employee retention is especially important in a difficult economy. The high-performers want to be involved. They want to be engaged and be part of the solution. If company doesn't take advantage of that, these high-performers may look for employment elsewhere. Best recruitment tool to be selected is retention. Good retention practices go together with customer satisfaction and employee productivity. Retention can be achieved by following simple tactics as mentioned below:

- Communicate effectively and be a great motivator, innovator, and leader
- Search for ways to redeploy employees and treat them fairly and respectfully
- Provide alternate work schedules.

Companies have to take excellent initiative for engaging and retaining valuable employees by developing corporate programs that help to avoid burnout by promoting a healthy balance between life and work.

## HR POLICIES: INDIAN PERSPECTIVE

Policies relating to management of human resources may be formulated, implied, and imposed policies. Besides, there may be situations where no such policy exists and the managers concerned may face difficulty in arriving at a decision and appeal for guidelines. Thus, there may be appealed policy.

**Formulated Policy:** A formulated policy is one, which is specified by the organisation for providing guidelines to its members. Most of the policies in large private sector organisations fall in this category as every organisation formulates various policies on different aspects including HRM. Such a policy flows from higher levels to lower levels in the organisation. This policy may be broad giving general guidance for the action or may be spelled completely so as to leave very little scope for definition and interpretation.

**Implied Policy:** policies may not be clearly stated, and the actions of managers particularly at the higher levels provide guidelines for actions at lower levels. These actions might constitute the policy. Sometimes, the organisation has clearly expressed policies for its image but it is not able to enforce these.

**Imposed Policy:** Imposed policy is made due to the influence of some outside agencies. Such agencies may be government, which provides HR and other policies for all public-sector organisations, parent organisations overseas in the

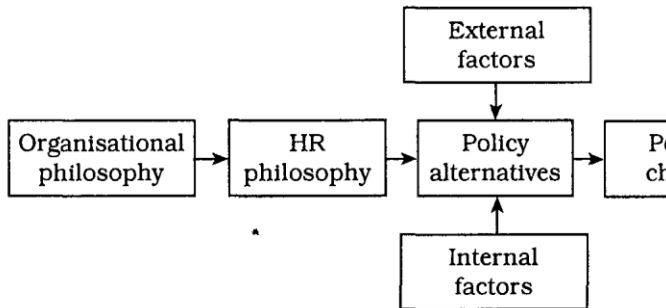
case of multinational companies operating in a country, apex company of a business house, or trade association with which a particular organisation is attached. The complete guidelines on a subject matter or a broad framework for devising specific policies are provided by these agencies.

**Appealed Policy:** An appealed policy arises from the appeal made by a subordinate manager to his superior for deciding an important case. The need for such an appeal may arise because the particular case has not been covered by any policy.

## FORMULATION OF HUMAN RESOURCE POLICIES

HR policies emerge through different sources. But most of them are the results of deliberate and conscious formulation. Since a policy is a kind of standing plan, it should be formulated after taking into consideration different factors which have impact on the workability of the policy. A policy formulation for managing human resources in an organisation proceeds through a sequence of activities as shown in Figure 1.

**Figure:1**  
**Formulation of HR**  
**Policies**



**Source: Own suggestion**

Formulation of HR policies considers a number of factors such as organisational philosophy, HR philosophy, external factors, and internal factors. After considering all these factors, there may be a number of policy alternatives. The alternative matching the maximum number of factors is chosen. After choosing the best possible alternative, a policy is put into action and its results are known. If the policy is workable, it is adopted as a long-term measure. However, each policy should be reviewed periodically to incorporate necessary changes because of changes in any of the factors influencing HR policies.

## CORE AREAS OF HUMAN RESOURCE POLICIES

Another significant issue which is relevant for HR policy formulation is the areas in which specific policies should be prescribed. Ideally speaking, policies should exist in all critical areas of HRM. From this point of view, policies are required in the following areas:

**Acquisition of Personnel:** The policies should be formulated on the following issues:

1. Minimum and desirable educational qualifications required.
2. Preferred sources of recruitment.
3. Reservation of positions at different levels for certain specified categories of personnel such as scheduled castes/tribes, other backward classes, handicapped personnel, ex- servicemen, women, etc.
4. Selection methods and tools to be used for selecting personnel.
5. Probation period for new employees.

**Training and Development:** the following items need attention:

1. Learning as a continuous process or ad hoc approach.
2. Organisation for providing training and development.
3. On-the-job training and off-the-job training and their relative emphasis.
4. In-company training and outside training.
5. Budget for training and development.
6. Approach to measure the effectiveness of training and development.

**Appraisal and Compensation:** In the area of appraisal and compensation, policy decisions are required on the following factors:

1. Degree to which appraisal system is formalised.
2. Uses of appraisal results.
3. Methods to be used for appraisal.
4. Job evaluation system to be followed.

5. Basis on which compensation package is to be determined.
6. The types of incentives to be provided.
7. Various types of benefits to be provided under the scheme of employee welfare and social security.

**Human Resource Mobility:** In the area of human resource mobility, policies are required on the following issues:

1. The degree to which higher level positions to be filled by promotion from within or outside recruitment.
2. Basis of promotion—merit or seniority or combination of both; if both are to be considered, their relative weight.
3. Transfer of employees and the basis and periodicity of transfers.
4. Basis of demotion if it is affected.
5. Retention strategies.
6. Lay-off and its basis.
7. Voluntary retirement scheme for employees.
8. Age of retirement for various categories of employees.

### **Working Conditions and Work Schedules:**

Policies in these areas cover the following items:

1. Working conditions to be provided in offices and factories.
2. Office and factory timings with rest schedules.
3. Shift duration.

4. Overtime work and its modality.
5. Alternative work schedules.
6. Degree of safety provisions in factories.
7. Leave with or without wages/salaries.

**Industrial Relations:**the following issues need attention:

1. Degree to which proactive approach is to be adopted for developing good industrial relations.
2. Recognition of trade unions.
3. Stand to be taken in dealing with trade unions.
4. Preventive measures to be taken for maintaining industrial peace.
5. Degree of involvement of employees in sorting out their problems.
6. Degree of discipline and disciplinary actions to be taken.
7. Levels at which industrial disputes are to be settled.

### **HR Policies in Indian Context:**

Comprehensive laws govern the Labour Policies for Small Scale Industries. A few laws and policies applicable for Small Scale Industries in India are Workmen's Compensation Act, 1923; Trade Union Act, 1926; Children (Pledging of Labour) Act, 1933; Payment of Wages Act, 1936; Employers Liability Act, 1938; Weekly Holidays Act, 1942; Industrial Employment (Standing Orders) Act, 1946; Industrial Disputes Act 1947; Employees State Insurance Act, 1948; Factories

Act, 1948; Minimum Wages Act, 1948; Employees Provident Funds and Misc. Provisions Act, 1952; Shops and Establishments Act, 1953; Employment Exchange (Compulsory Notification of Vacancies) Act, 1959; Apprentices Act, 1961; Payment of Bonus Act, 1965; Bidi and Cigar Workers (Conditions of Employment) Act, 1966; Contract Labour (Regulation & Abolition) Act, 1970; Payment of Gratuity Act, 1972; Bonded Labour System (Abolition) Act 1976; Equal Remuneration Act, 1976; Sales Promotion Employees (Conditions of Service) Act, 1976; Inter-state Migrant Workmen (Regulation of Employment and Conditions of Service) Act, 1979; Child Labour (Prohibition & Regulation) Act, 1986; Labour Laws (Exemption from Furnishing Returns & Maintaining Registers by Certain Establishments) Act, 1988. In addition to these there are certain reforms in labour laws by many states. In spite of having so many laws the condition of blue and grey collar workers in unregistered sector needs serious attention. In fact, most of these laws come into focus only when any matter is reported.

Experts believe that the HR practices in India still await quality changes. Some of the causes and consequences why there are poor HR practices in Indian context may be pointed as under:

- Though Indian HR legislation is dynamic but lazy investigation and inspection give birth to poor HR practices.

- Workers are uneducated so that they are not aware about their rights.
- Lack of unionism especially in small private sectors.
- Disparity in the cultural and traditional background of employees and employers.
- Lack of professional education to employees.
- Poor government structure.
- Fear of losing business so that employers adopt autocratic leadership styles and do not wish employees took part in management.

### **HR Retention Policies: MSME Perspective**

This paper in fact has its origin in the Doctoral Study carried out on the broad issue of acquisition, retention and satisfaction of grey and blue-collar employees in micro, small and medium enterprises in a selected cluster. The primary data was collected through a questionnaire from employers and grey and blue-collar employees of registered and unregistered micro, small and medium enterprises of the selected cluster.

An important result showed that while 58.8 per cent of the grey-collar workers were serving for more than 11 years, 5.9 per cent of the workers were of less than one-year duration and 17.6 per cent of the workers had served for more than 6 years but were less than 10 years. Conversely, the percentage of blue-collar workers, who were serving for more than 11 years were 23.4 per cent, which is less than half of that of grey-collar



workers. Moreover, 20.3 per cent of blue-collar workers were working for less than one year, which is more than three times of that of grey-collar workers.

The employee retention by type of industry for last two years was analysed. From the figures, it was noticed that for grey-collar workers, most of the retained workers are from Foundry and Metal industry (50.9 per cent), followed by Lathe industry (40 per cent). On the other hand, for blue-collar workers, most of the retained workers are from Lathe industry (45.9 per cent), followed by Foundry and Metal workers (39.6 per cent).

Retention of employees for registered and unregistered employees was also analysed. From the figures, we easily noticed that employees of registered MSMEs were more likely to be retained than the employees of unregistered MSMEs. Further, we also noticed that the retention of the employees of registered MSMEs was found to be higher for grey-collar workers than the blue-collar workers. Among grey-collar workers, 89.1 per cent of the retained employees were from registered MSMEs and the rest 10.9 per cent were from unregistered MSMEs. On the other hand, the respective figures for blue-collar workers were 60.7 per cent and 39.3 per cent.

It was seen that the percentage of permanent employees in registered MSME (30.8 per cent) is greater than that of the unregistered (29.1 per cent), though the difference is not much.

We also noticed from the figures that there was a huge difference in grey-collar workers and blue-collar workers; share of permanent employees in grey-collar workers (94.1 per cent) is more than seven times higher than that of blue-collar workers (12.5 per cent). Furthermore, it was also noted from the figures that trained workers were more likely to be permanent than the untrained workers.

Analysis was done for the policies adopted by MSME employers to retain their workers. From the figures it was revealed that regular work flows and regular payment system were the most prevalent policies adopted by the employers to retain their workers (98.8 per cent of the employers followed these practices). The reason for these two policies to be most preferred choice of the policy tool to retain the workers is quite obvious. There is a need to have work order at the first place for a company to sustain; if there is no work order there will be no existence of the company and hence there will be no worker. For any worker/ employee, salary is the most important thing; no worker will be willing to work without salary. It should be noted that merely salary is not enough, but the salary should be paid timely to the workers to satisfy them. This is why most of employers are focusing on regular payment system to retain their workers. Furthermore, it was also noticed from the figures that employee counseling was another important policy tool of the employer to retain their workers; 54.3 per cent of the employers use this tool to

retain their workers. Conflict management (33.3 per cent) and increase in benefits (24.7 per cent) are also used as a tool to retain the workers.

The factors, which have bearing on the employees' decision on remaining in the same organisation were also considered. If the work has ill effect on health or the work has no job security or the work is hazardous or the work is noisy, the employees are less likely to remain the same organisation.

It is generally thought that small organizations do not apply HRD practices because of the lack of resources but it is not unreasonable to think that small firms have HRD practices because they do survive in the competition. This assumption is probably due to the fact that small organizations do not have formal models and definitions for HRD but they apply informal practices that have the same outcomes and effects. The managers in small companies are more familiar with training and development than HRD and they favour informal training and learning because of the resource limits. Therefore, it is suggested that learning and HRD occur not just on the job, but through the job, whereby work becomes a process of learning. This will help to manage HR in MSMEs in a better way.

Managers in MSMEs are more able to engage with employees in an informal way and at personal level. They are in closer contact with them which means that it easier for the employees

to express their feelings and they are also understood better. This openness also helps in creating a positive environment for learning and development. This will ultimately be helpful for the MSMEs.

### **Recapitulation**

There is no denying the fact that Human Resources are the key strengths of an organization to accomplish its business objectives. Quite obviously, organizations need to have a clearly defined and well-executed human resource policies. Rather a broad and scientific management of human resources is mandatory for organizations to survive and thrive in contemporary business environment. In post-globalisation period, in India, the issue and challenges of effective human resource policies is becoming more and more important when our economy is now globally connected and we are working in a global economy. Keeping in view the structure of Indian economy, we cannot ignore the issues and challenges of Micro, Small and Medium enterprises where a large pool of workers are working and contributing significantly. Needless to say, a balanced and lucrative approach is urgently required at the juncture of HR practices in general and retention policy in particular to tone-up the organizational health of this significant sector of emerging Indian economy.

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