

HUMAN RESOURCE PRACTICES AND ITS IMPACT IN LEATHER FOOTWEAR INDUSTRY IN TAMILNADU

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ABSTRACT:

An examination of select HR practices using 45 leather footwear manufacturing units operating in Ambur, Ranipet, Melvishram, Chennai and Chrompet, we examine various HR practices that are widely practiced based on the industrial strategic location, size of manufacturing, establishment of units on the basis of globalisation and types of products manufactured. Frequency tables, summary of cross tables and categorical regression results indicate that the impact of select HR practices of leather footwear industry of Tamilnadu in different strategic dimensions. Inferences of these results are discussed.

Key words: HR practice, leather footwear industry, Tamilnadu, full shoe and upper manufacturing units, globalization,

Introduction

The significance of human resource is well recognized as a major source that can constructively deliver competitive advantage to the firms. Human resources typically provide the specialized assistance needed in small and medium and even any large organization. In doing so, human resources carry out many functions from employee need analysis to exit interview. The HR practices are more in larger multinational firms. In small and medium sized firms, the incorporation of recent policies might be quite slow. However, incorporation of the HR practices will lead to better business performance. Obtaining right employees will obviously involve effective recruitment, selection and induction process. In terms of retaining and engaging those people, then just about every other HR function will be relevant to effective performance.

The Indian footwear industry ranks second largest footwear producer next to China with an annual production of 2065 million pairs of which leather footwear occupies 909 million pairs. Its contribution to the global economy, measured through its industry value added (IVA), is forecast to grow at an average annual rate of 7.4% by the year 2019. By contributing a major portion to the GDP, it has occupied a critical role in Indian economy. Various forces operating within and outside the industry determine the working of this industry. However, the successful performance of leather footwear industry depends upon the effective management of human resources.

The practices of human resource are responsible to certain extent in influencing the overall performance of the industry. What are the different constituent elements of the human resource of this sector? To what extent the HR dimensions are affected by the intervene variables like location, size, products and globalisation? What are the constraints limiting the growth and

development of the leather footwear industry in Tamilnadu? These issues call for a scientific investigation. Hence, the present research is undertaken.

Review of literature

Several researchers have examined the relationships between HR practices and organizational performance. For example, in an individual-level analysis, Paul and Anantharaman's (2004) study of software professionals showed that HRM practices had a significant positive relationship with organizational performance. HR practices have also been found to relate to commitment in samples of frontline employees from car rental, retail, and hospitality organizations in South America (Browning, 2006). Payne and Huffman (2005) found in a longitudinal study that organizational commitment mediated the relationship between mentoring, an HRM practice in the organization studied, and employee turnover over time. In a unit-level study, Wright, Gardner, & Moynihan (2003) found a positive relationship between HRM practices and organizational commitment in a study of 50 business units from a large food service corporation.

Becker et al. (1997) similarly argued that HRM practices operate most directly through employee skills, motivation, and work design, resulting in behavioral outcomes such as creativity, productivity, and discretionary effort, which are expected to work through operational and eventually through financial market outcomes. Hence, in order to assess the most immediate consequences of an HRM system, Becker et al. (1997) and Dyer and Reeves (1995) would suggest examining employee outcomes as they are predicted to be affected most directly.

Wright and Nishii (2006) presented further justification for examining outcomes of HRM below the organizational level. Specifically, these authors argued that, while most

of the research to date has focused on the links between business level HRM practices and performance, the theoretical explanations presented for these relationships cross multiple levels of analysis, including individuals and job groups. For instance, the authors claimed that HRM practices are largely implemented at the job group level (i.e., different jobs have different practices within a business unit). In addition, individuals within jobs may perceive and react (both affectively and behaviorally) differently to the same practices. Finally, the performance of different job groups aggregates to affect business unit performance. Most importantly, however, Wright and Nishii noted that empirical research has focused only on the business unit linkages between practices and performance, and has virtually ignored the lower level mechanisms through which these linkages are purported to occur. Usually in discussions of the most proximal employee outcomes researchers mention or focus on the construct of organizational commitment.

Fox (1974) argues that the key link with performance is to get employees not just to do their job but to act beyond contract to go over and above what they are formally required to do. Rather than just carrying out their job mechanically, to the minimum specification required the aim is to try to get employees to use their imagination, creativity, enthusiasm, initiative and intimate knowledge of the organization.

Appelbaum et al, (2000) investigated the links between high performance work systems and performance in a major study of 44 manufacturing sites in steel, apparel and medical equipment between 1995 and 1997. They identified three types of people management practices (Appelbaum et al, 2000) which they thought were critical to business performance. Skill enhancing practices are important because changes in work organisation are only effective if employees have adequate skills to take up these opportunities. In the past most of the attempts

have been to narrow down work so that it can be repeated, while the task now is to expand opportunities, typically through staffing practices such as recruitment and selection, training and development and job re-design.

Welfare practices are important because even if we assume that employees have the opportunity and the skill, it is still essential that they have the motivation in order to take up these opportunities. Classically these revolve around extrinsic and intrinsic incentives. Moreover, the concept of mutual trust is important in creating a climate where employees feel able to contribute.

Managing human resources involves a complex process of designing policies, practices and procedures of organizations for recruiting, motivating, developing and retaining employees. Managing human resources in manufacturing industries like leather footwear is indeed more complex. Fazlur Rahman, A., (1992) made a thorough study on the labour problem in general and of leather Garment industry in particular by analyzing and assessing the specific chronic problem faced by the labour of Leather Garment Industry. It also focused attention on the labour problem and welfare measure in a select unit of leather garment industry. The author used the survey method. For this study, stratified sampling was applied. The secondary data were also collected. Further, the executives and welfare departments were contacted. Increased labour welfare expenditure was not the only factor that affected the productivity and operational efficiency. There was no direct relation between increased welfare measures and operational efficiency.

Finally, involvement enhancing practices are concerned with designing work systems so that employees have a chance to become involved and participate in decision making. Critically important here was decentralization leading to greater authority to solve problems and to propose

changes. This might be in the form of self-directed teams or quality circles while the ability to draw on others outside their immediate group through networking and horizontal communications is also important. Here workers undertake both routine and non-routine tasks (Adler et al 1999). Applebaum et al (2000) refer to this as line and off-line opportunities to participate.

Methodology

This study is empirical in nature which examined the relationship between various HR factors and their contribution towards performance of the industry. Census method was used to select the leather shoe manufacturing units. All the study units were drawn from two natural prominent clusters namely Vellore and Chennai. Out of 45 study units, majority (26) of the units located in Vellore cluster (Ambur, Ranipet, Melvisharam), and the rest of 19 units were studied in Chennai cluster (Pallavaram, Chrompet and Porur).

Analysis of data

- Sources of Recruitment
- Training Practices
- Management of Indiscipline
- Maintenance of Attendance
- Welfare Measures
- Reasons for employing women
- Labour Issues

Collected data are analysed through three stages by using cross tables, frequency tables, bar charts and categorical regression.

Table 1: Profile of leather footwear industry in Tamilnadu

Particulars	No. of units	n=45	Percentage
Location of study units			
Vellore Centre	26	45	57.8
Chennai Centre	19		42.2
Nature of units			
Proprietorship	7	45	15.6
Partnership	13		28.9
Private Limited	25		55.5
Year of establishment			
1976-1980	9	45	20
1981-1985	6		13.3
1986-1990	13		28.9
1991-1996	17		37.8
Land owned by units			
Below 1 Acre	25	45	55.6
1 - 5 Acres	14		31.1
Above 5 Acres	6		13.3
Status of units based on investment			
SSI	21	45	46.7
Medium & Large	24		53.3
Technical tie-up with foreign countries			
Italy	4	45	8.9
Germany	1		2.2
U.S.A	4		8.9
U.K	4		8.9
None	32		71.1
Major products			
Full shoes	20	45	44.4
Full shoes & shoe uppers	25		55.6

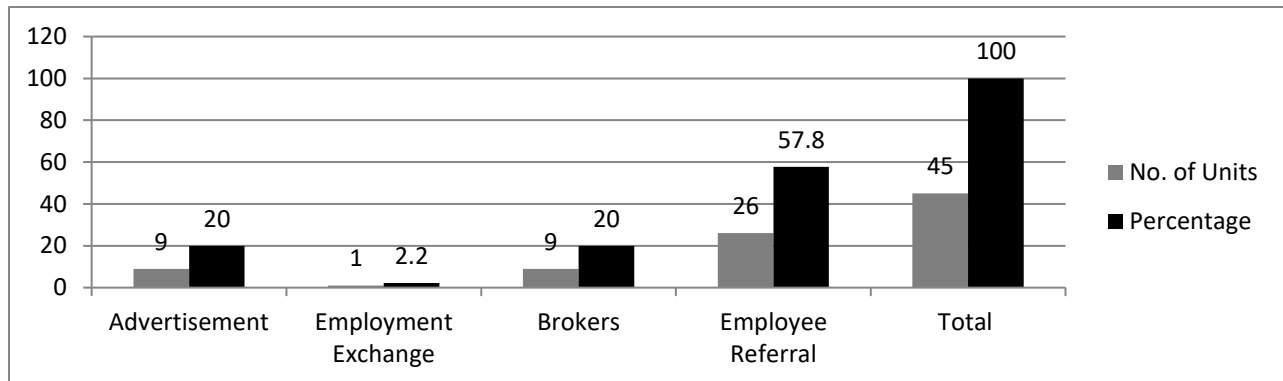
Source: Primary data

Analysis of data – Part 1

Collected data were tabulated through frequency tables with bar charts.

Sources of Recruitment

Table 2: Sources of Recruitment

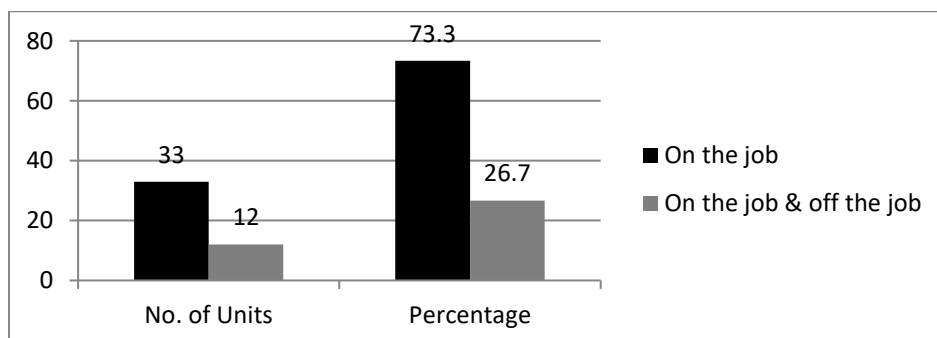


Source: Primary data

It is evident from the above figure that as many as 57.8 percent of study units rely on their existing employees to fill the manpower gaps. Though, advertisement, employment exchange and brokers were used to as sources of recruitment, still referral plays an important role in new recruitment. This has created a bond between employees and footwear units which in turn help to enhance organizational productivity.

Training Practices

Table 3: Training Practices

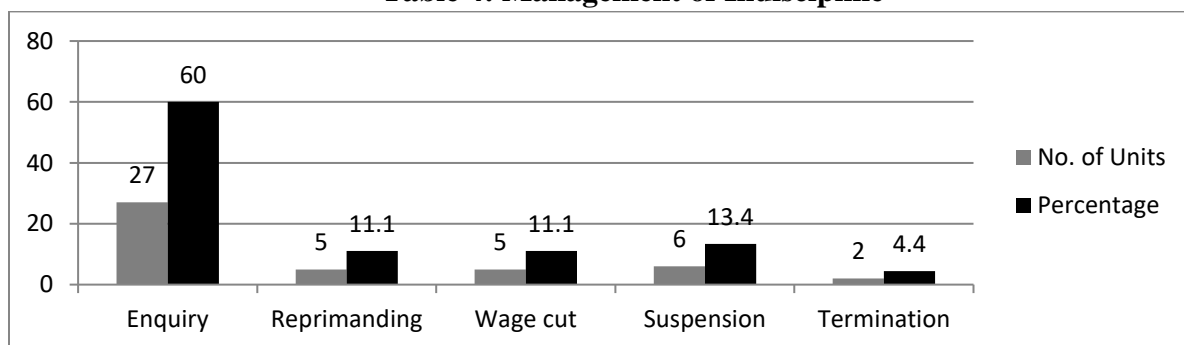


Source: Primary data

The industry follows both on the job and off the job training methods to train their employees. These are the methods widely practiced in Tamilnadu. Most of the large size organizations have got in built training facilities and they train their employees in their own premises. Whereas to train managerial skills and Computer aided training programs, employees are allowed to take courses in well-established training institutions like FDDI, Noida, SDDC Chennai etc.

Management of Indiscipline

Table 4: Management of Indiscipline

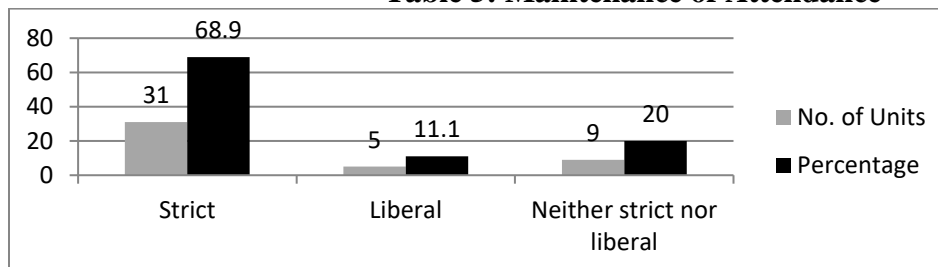


Source: Primary data

In order to maintain discipline at work places, the industry has been practicing through enquiry, reprimanding, wage cut, suspension and termination methods in an appropriate manner. As large as 60 per cent of the units settle the labor issues in the initial stage which is enquiry. Unsettled issues are resolved with further process.

Maintenance of Attendance

Table 5: Maintenance of Attendance

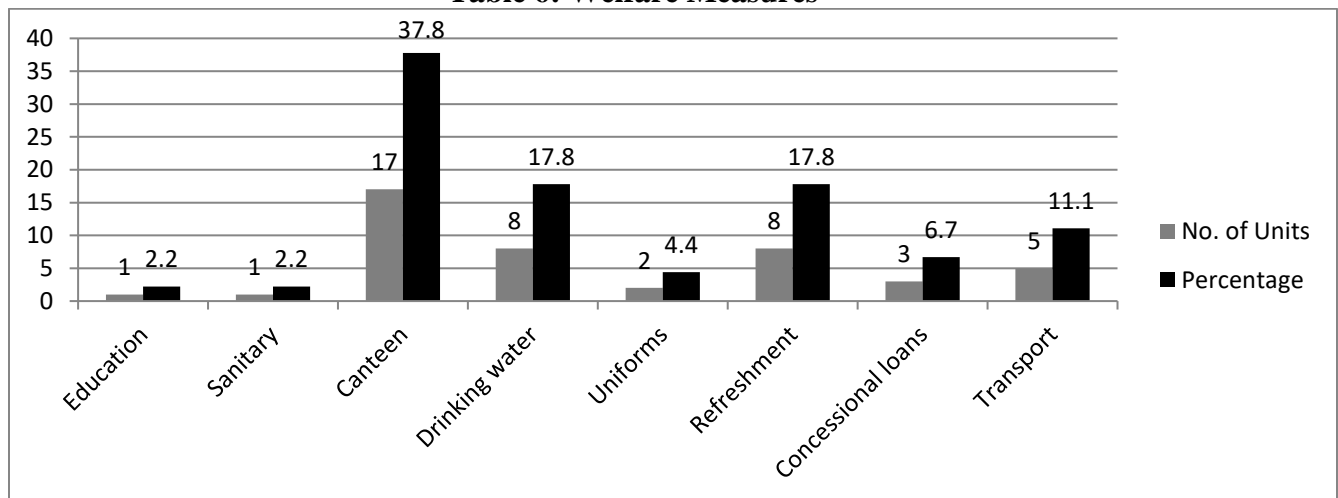


Source: Primary data

As the industry is predominantly depends on its overseas buyers, timely delivery of products is mandatory. Hence, punctuality of workers is inevitable and it is evident from the above figure that nearly 70 percent of the companies are strict in maintain employee attendance.

Welfare Measures

Table 6: Welfare Measures

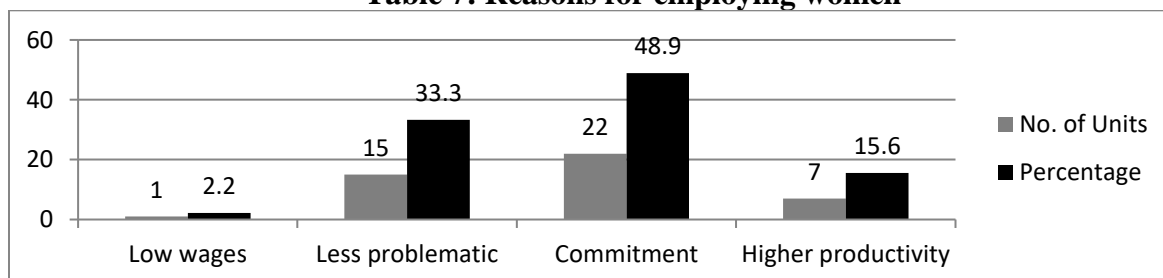


Source: Primary data

Basic facilities such as canteen, drinking water, refreshment are being provided largely by the industry. Even then, education, sanitary, loans and transportation are the other measures to be considered to satisfy employees.

Reasons for employing women

Table 7: Reasons for employing women

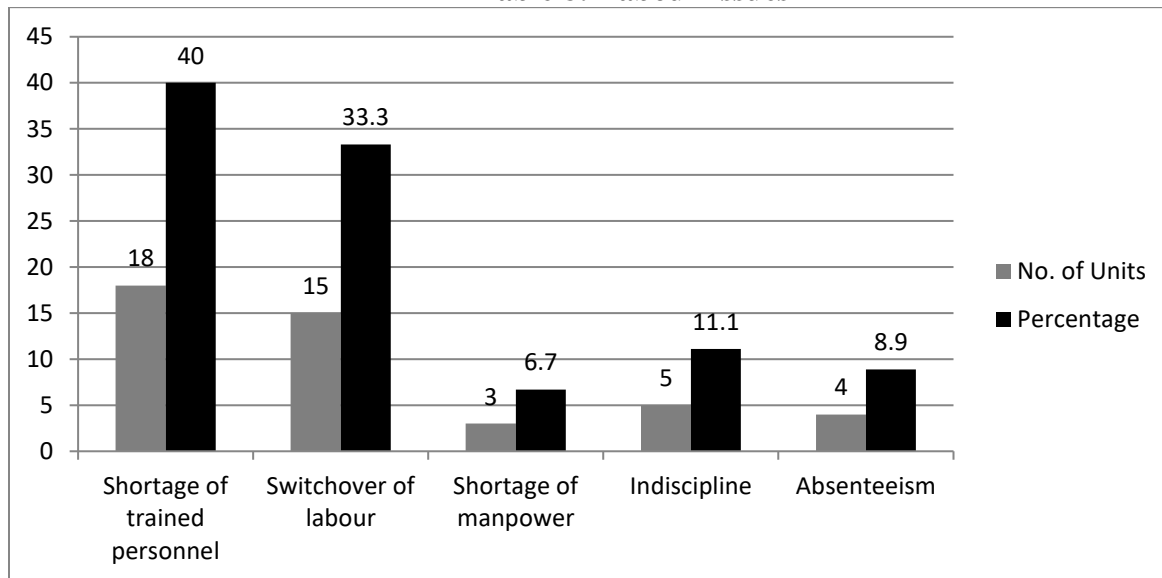


Source: Primary data

Women employees are known for their commitment in work and less problematic with higher productivity. It is obvious from the above figure that nearly half (49%) of the study units reveal that they employ women workforce for their commitment.

Labour Issues

Table 8: Labour Issues



Source: Primary data

Shortage of trained employees (40%) and labor switchover (33%) are the major labour issues in leather footwear industry in Tamilnadu. The fast growing IT sector and other industrial development are few other reasons for employees' switchover. Though footwear training program has been enhanced in Tamilnadu, yet shortage of trained employees is another gray area to be focused.

Analysis of data – Part 2

Hypothesis 1 – HR practices vary from cluster to cluster.

In this part of analysis includes test of hypothesis according to different strategic dimensions. As there are two dominant centres existed in Chennai and Vellore, it is important to analyze the practices whether they are carried out evenly in both rural and urban clusters. The HR practices such as, recruitment through recommendation by existing workers, recruitment policy, on the job training, employee relationship, management of indiscipline through enquiry, prompt settlement of grievances, strict maintenance of attendance, regular provision of welfare measures and effective provision factories were widely practiced in both the centres. However, few HR factors like employee welfare measures and commitment of women employees were moderate in these clusters. Hence, in both the centres, personnel factors are practiced in a good manner and hypothesis was rejected.

Hypothesis 2 – HR practices vary from Small scale units to Medium and large size units.

The HR factors that are widely practiced in both the sizes were employee relationship, management of indiscipline, settlement of grievances, welfare measures. However, recruitment through recommendation of existing workers, recruitment policy, management of indiscipline, maintenance of attendance, welfare measures are moderately practiced in SSI and medium and large size units.

Hypothesis 3 – HR practices vary from full shoe manufacturing units to shoe upper units

The HR factors such as on the job training, employees relationship, management of indiscipline, settlement of grievances, welfare measures were highly practiced in both full shoe and shoe upper units. However recruitment through recommendation by existing workers, recruitment

policy, management of indiscipline, maintenance of attendance, welfare measures were moderately practiced by both type of units. Therefore, the hypothesis is accepted.

Hypothesis 4 – HR practices vary from units established prior globalization era and after globalization era.

Almost in all units that are established after globalization era, HR factors were highly practiced in leather footwear sector in Tamilnadu. Factors like recruitment policy, job training, employees relationship, management of indiscipline, settlement of grievances, welfare measures were widely practiced. However, the way recruitment system, maintenance of attendance and welfare measures practiced is little different from units established prior to globalization era.

Analysis of data – Part 3

Categorical regression analysis was used to determine the dominant factors in each human resource practices. To identify the impact of HR practices and their contribution towards the performance of the leather footwear industry of Tamilnadu, confirmatory categorical regression analysis was used. The five select independent variables are sources of recruitment, types of training, management of indiscipline, settlement of grievances and welfare measures.

The analysis shows that use of employee referral methods ($r=0.777$, $F<0.002$) is significantly related to the performance of human resource. In contrast, job advertisement, employment exchange and labor brokers are not positively contributing to the HR performance. Similarly, management of indiscipline ($F<0.001$), settlement of grievances ($F<0.000$) and welfare measures ($F<0.000$) are also significantly related to the performance of HR in leather footwear industry in Tamilnadu.

HR PRACTICES AND ITS PERFORMANCE -DISCUSSION

Though numerous HR factors were practiced in leather footwear industry, few HR practices are widely practiced regardless of the units located, size and nature of manufacturing and year of establishment. Human resource practices such as recruitment policy, training, discipline, grievance settlement, attendance, welfare measures etc. Among these practices, the sources of recruitment, management of indiscipline and welfare measures were highly practiced among the study units. Based on the location of the study units, HR practices in Vellore centre was much pleasing than Chennai center due to the fact that the units in Vellore centre had large number of workers compared to Chennai center. It was noted during the study period that the labor issues was negligible in Vellore centre compared to Chennai center. HR practices in medium and large size units were impressive than in small scale units. One of the reasons for this gap was due to financial constraints in these small units. It is worthy to mention here that the labor issues were more in small units compared to medium and large units due to the same financial constraints prevailing in these units. Hence, the human resource practices were highly and widely practiced in leather footwear industry in Tamilnadu regardless of its size, nature of production and location. Though the industry has been viewed as unorganized sector, it is not exceptional from practicing human resource aspects for the betterment of human as well as industrial growth.

The labour productivity ratio of the study units revealed that the employment of more number of workers could bring less number of pairs of shoes produced. This was due to the reason that there is a shortage of trained manpower and maximum use of untrained labours and improper recruitment in the study units. In other words, periodical, systematical, technical training were absent in the study units. The training programme can be organised individually or

collectively by the study units, which may increase a quantity, quality of shoes, time required for supervision and efficient handling of machineries and equipment connected with production process. Therefore, there is a guarantee that operating efficiency of the industry can be maximised through systematic training in the leather shoe industry. Further, if the orientation and refresher programmes organized by the leather technology institutions located in Tamilnadu are fully utilised by the human resource, to update their knowledge and to keep themselves abreast of the skills, the challenges arising in the global shoe market can be tackled effectively. Most often, the HR departments are spending their time on providing welfare measures and maintenance of discipline. They should rather concentrate on effective training programmes, which would ultimately reduce the labour problems and thereby improve performance in terms quality improvement, wastage reduction, effective supervision and efficiency enhancement.

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