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Improving Labour Productivity in Post-COVID India: A Human Capital Management Imperative

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ABSTRACT

The strict initial lockdowns imposed due to COVID-19 severely battered the Indian economy which was already showing signs of a slowdown before the pandemic. As a result, most organisations were unable to sustain their investments in new technology and in development of physical and human capital. This has adversely affected labour productivity within the economy which was faltering even before the COVID-19 outbreak. The recent wave is again bound to adversely affect workforce morale and productivity. A probable solution lies at the confluence of the incentive theory of motivation and concepts in human capital management. The present article highlights the same.

Keywords: *Labour productivity, COVID-19, Human Capital Management, Incentive theory, Motivation, Non-monetary measures*

I. INTRODUCTION

The lockdowns imposed by the governments all over the World to curtail the spread of COVID-19 severely impaired the global economy. The Indian economy was also reeling under the COVID-19 induced economic downturn. While there were certain green-shoots visible in the economy since the ‘unlock’ period, most sectors/industries are still under pressure. Organizations across a plethora of sectors/industries have postponed investments while others have cut costs including the money spent on employee remuneration, incentives, and employee welfare in general. Some organizations have also resorted to layoffs and pay-cuts to cut costs. This is bound to adversely affect labour/workforce morale and productivity. The present article discusses some of the crucial aspects and issues of labour productivity and provides suggestions to improve it by amalgamating knowledge derived from the Incentive theory of motivation and Human Capital Management.

II. LABOUR PRODUCTIVITY ISSUES

Labour productivity is an important and closely watched indicator. It is closely linked to economic growth, competitiveness, and living standards within an economy. It is represented

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as the total volume of output (GDP) produced per unit of labour (number of employed persons or working hours). In terms of GDP constant 2011 international \$ in PPP India's labour productivity was low compared to its peers even before the pandemic (<https://ilostat.ilo.org/topics/labour-productivity/>). In the post-COVID scenario, due to fears of layoffs and pay-cuts, labour productivity showed an initial uptick but with depleting savings and investments in new technology, physical and human capital; labour productivity is bound to fall, probably with a lag. Many organizations are struggling to find ways to keep employees motivated which has repercussions on labour productivity (Berumen, Pérez-Megino and Arriaza Ibarra, 2016). Employees across an array of organizations are still marred by fears of layoffs and pay-cuts and challenges arising out of working from home. All this turmoil is alienating employees from their respective employers and contributing to low employee motivation further leading to low productivity. Low productivity hampers economic growth in the long run. It suppresses a country's ability to improve its standard of living as the country loses its ability to raise its output per working citizen. For a country like India, such a scenario is detrimental as it can lead to severe social ills. On the contrary, higher productivity can lead to lower unit costs that might be passed on to consumers thus encouraging demand, more output and a subsequent increase in employment. Higher productivity improves competitiveness in the global marketplace and leads to increased trade. It can increase firm profits that can be utilized to reinvest in expansion, technology, training, and R&D activities, all of which have the potential to enhance labour productivity.

Prior to the economic shock resulting from the COVID-19 imposed lockdowns, the Indian economy was showing signs of a slowdown. Also, historically, the modern economic and human development indicators such as the GDP per capita, equality/inequality indexes, Human Development Indexes, Happiness Index, Sustainable Development Goals, etc. are low or show low compliance in India. Post the COVID-19 induced shock, the situation (although, showing signs of improvement) can deteriorate. Oxford Economics, a leader in global forecasting and quantitative analysis, in its Global Outlook Report (July/August 2020) had stated the following: 'After a dire start to Q2 in April, the global economy has since staged a robust rebound as lockdown restrictions in many regions have eased. But despite a strong initial bounce, high unemployment and surging corporate debt will limit the scale of the revival in H2 and beyond. And the renewed rise in Covid-19 cases in parts of the world shows that considerable downside risks remain.' The road to complete revival is not easy at all and is bound to adversely affect labour productivity. As per India Ratings and Research, for India to achieve a GDP growth of 8%, its labour productivity has to grow to 6.3% and for India to achieve a GDP growth of 9%,

its labour productivity has to reach 7.3% (and this was pre-COVID). Labour productivity around January 2020 was pegged at 5.2%.

Low employee motivation across an array of sectors/industries has the potential to put an enormous downward pressure on Labour productivity. In such a scenario, the role of human capital management (HCM) gains more prominence. HCM plays an important role in the economic growth of a nation and in influencing changes in economic structure to sustain and increase labour productivity. Since, only few organizations have the wherewithal to invest in new technology, physical and human capital; the human capital managers (HR managers, consultants, and executives in leadership positions) need to find novel ways to motivate their respective organization's workforce that can have a cascading effect on improving labour productivity. The pandemic and the economic fallouts related to it have had dire consequences on the general populace of the country. Social ills such as domestic abuse, drug abuse, discrimination, etc. are on the rise (Sharma and Borah, 2020). The human capital managers while searching for novel ways to motivate employees need to be aware and understanding of the fact that their respective organization's employees and their families might be victims of some of the social ills.

III. INCENTIVE THEORY OF MOTIVATION AND HUMAN CAPITAL MANAGEMENT

The question thus arises what can the human capital managers do to motivate employees inexpensively, compassionately, and sustainably in the current scenario and beyond?

The answer probably lies at the confluence of the incentive theory of motivation (extensively adopted in economics) and concepts in human capital management. The incentive theory is a basic premise of standard economics that suggests that people respond to incentives (Ellingsen and Johannesson, 2008). It highlights that behaviour is motivated by a desire for reinforcement or incentives. According to this theory, people are attracted towards behaviours that lead to positive incentives and repel from behaviours associated with negative incentives. Majorly there are two forms of incentives namely monetary and non-monetary. Levitt and Dubner (2005) argue that non-monetary incentives can be further divided into social and moral incentives. In the current scenario, monetary incentives have taken a back seat but social and moral incentives are still at play. Social incentives points to a person's innate desire to belong. It is deeply rooted in our evolution as a survival mechanism. Moral incentives deal with support to a just cause and a person's drive for doing the right thing.

IV. PRACTICAL/MANAGERIAL SUGGESTIONS

The following three exhortations involving social and moral incentives and concepts in Human

Capital Management can prove beneficial in the current situation and beyond:

1. *From organizational citizenship to global citizenship* – Organ (1988) defined Organizational Citizenship Behaviour (OCB) as an individual behaviour that is discretionary, not directly or explicitly recognized by the formal reward system, and that in the aggregate, promotes the effective functioning of the organization. It encompasses 5 factors viz. altruism, courtesy, conscientiousness, civic virtue, and sportsmanship. These 5 factors are desired not just from every organizational member (both, white collar and blue collar) but also from every citizen of the country and ultimately of the World. Organizations need to inculcate (not impose as that might backfire) OCB and align it with global parameters such as the Sustainable Development Goals (SDGs). The propensity of doing ‘*greater good*’ by contributing beyond one’s contractual obligations towards one’s organization, country, and ultimately the World is bound to propel many, if not everyone. It has the potential to motivate the organization’s workforce which in turn will help boost workforce/labour productivity.

2. *Empowerment* – Working in teams with greater autonomy such as a start-up like environment as opposed to a hierarchical work setting has given birth to the new-tech/high-tech industries involving Artificial Intelligence, Machine Learning, Blockchain, etc. (McGrath, 2001). It has also been instrumental in transforming the face of older, more mature industries such as steel, cement, electricity generation, automobile, etc. Autonomy is about a person’s ability to act on her or his own values and interests. Working for an organization always brings a sense of responsibility towards the organization’s goals and values. Aligning the two gives rise to accountability and gives the autonomous employee a sense of *self-worth* and *belongingness*. Both positively affect motivation. A scenario like the one we are reeling under now is the most appropriate time for bringing about sweeping changes in the organizational structure and functioning. The shift should be towards empowerment as it has the ability to motivate employees and foster technological up-gradation (both are strong drivers of labour productivity).

3. *Work-Life balance* – The current pandemic has created unique situations in the workplaces such as ‘Work from Home (WfH)’, ‘Social Distancing’, working with reduced employee strength, etc. The fear created by the pandemic and its economic fallouts are unprecedented in nature. The associated emotional labour and burnout among the workforce are very real and unimaginable (Montemurro, 2020). Such exceptional and adverse situations demand unique work-life balance initiatives involving more *inclusivity* and *compassion* towards the workforce.

One such prospective initiative is described below:

Due to WfH for a large percentage of the population together with lay-offs and pay-cuts, employees across organizations are working under the impression that they are on job 24X7. This is further aggravating their anxiety resulting in lower levels of productivity. The traditional understanding of 'leaves' and 'vacation days' are no more promotive. An alternate initiative such as monthly days-off and/or vacation days can help avoid employee burnout and has the potential to rejuvenate the employees to be more productive. Such an initiative may entail a weekday off and/or an extended weekend (once a month) sans official obligations during the days off thus avoiding a WfH like situation.

V. CONCLUSION

Organizational leaders, policy makers, and agents of change (such as educationists, consultants, etc.) must now ensure a positive approach towards employee well-being. They should create initiatives and develop strategies to establish a strong relationship between the organizations and its employees leading to growth in workforce/labour productivity. Ultimately, the objective is to change work ethos and culture to motivate employees for a sustainable growth and future.

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