

Job Satisfaction of Outsourced Employees in the Indian Automotive Sector: A Case of Blue Collars

–Geetika Malik*, A.Venkat Raman**

ABSTRACT

The labour market has changed dramatically over the past few years. The globalization of economies and cut throat competition is forcing organization to cut cost of its operations. Therefore firms are seeking to obtain higher value through lower costs. The use of contract workers helps organizations to bring down costs, also ensuring labor flexibility, However it brings with it certain outcomes for employees. The purpose of this study was to examine the level of job satisfaction amongst outsourced blue collar employees in the automotive manufacturing industry.

Keywords: *Contract Staffing, Employee Outsourcing, Short Term Employment, Job Satisfaction*

INTRODUCTION

An Introduction to Manpower Outsourcing

The process of liberalization and globalization has led to many changes in the Indian organized sector. There is a complete shift in the labour market where the permanent jobs are being replaced with the contract/temporary ones in order to avoid the uncertain situations arising out of turbulent market environment. There is enormous pressure on business managers to cut down cost of its operations whilst maximizing profits. More and more organizations are employing contract workers in order to cut down costs and achieve flexibility in employing labour as per the demands of the business. Therefore outsourcing of manpower is increasing in

* Research Scholar, Faculty of Management Studies, University of Delhi, New Delhi, India. Email: malikgeets@gmail.com

** Professor, HR, Faculty of Management Studies, University of Delhi, New Delhi, India. Email: venkatfms@gmail.com

Indian organizations. “While in the west outsourcing of service delivery is exceedingly becoming common, what is becoming common in Indian industry is outsourcing of labour” (Rajeev, M. (2009). Most of the small firms are becoming suppliers of skilled and unskilled labourers in a much organized manner, considering themselves as manpower outsourcing vendors as against the contractors of the past. This led to the concept of manpower outsourcing which was earlier denoted in simple terms as contract staffing. Therefore, Manpower outsourcing is a management strategy in which an organization outsources its employees to the third party vendor who are specialized consultancies. Outsourced employees are the ones who work as temporary staff/Contract staff on third party payrolls. There is enormous challenge for organizations with regard to competition, innovation, profit maximization and productivity. In order to achieve all these, they need dedicated and satisfied workforce. In this context employee job satisfaction can be seen as a disclosure of job preferences of employees. In order to achieve the objective of profit maximization and deliver extra ordinary results, organizations must keep their employees contented and satisfied. Therefore, this study focuses on the satisfaction level of contract/outsourced employees employed in the Indian automotive sector.

LITERATURE REVIEW

The idea of outsourcing has its roots in the ‘competitive advantage’ theory propagated by Adam Smith in his book ‘The Wealth of Nations’ which was published in 1776. As we know business strategies change with the changing environment. Organizations these days are trying hard to survive due to cut throat competition and presence of several other players in the same industry. There is enormous pressure on business managers across globe to cut down costs of their operations. The major focus of organization these days are cost containment and efficiency rather than strictly focusing on revenue generation which is why even HR managers are posed with many challenges as they are to perform as strategic business partners in the organization. Business activities are classified as core and peripheral. The activities which are of strategic nature are performed in-house whereas the activities which are peripheral and not of strategic importance are being outsourced to specialized consultants. Likewise, the labour market has also been categorized as core and peripheral or Primary and secondary market. Complex business environment and ever increasing competition

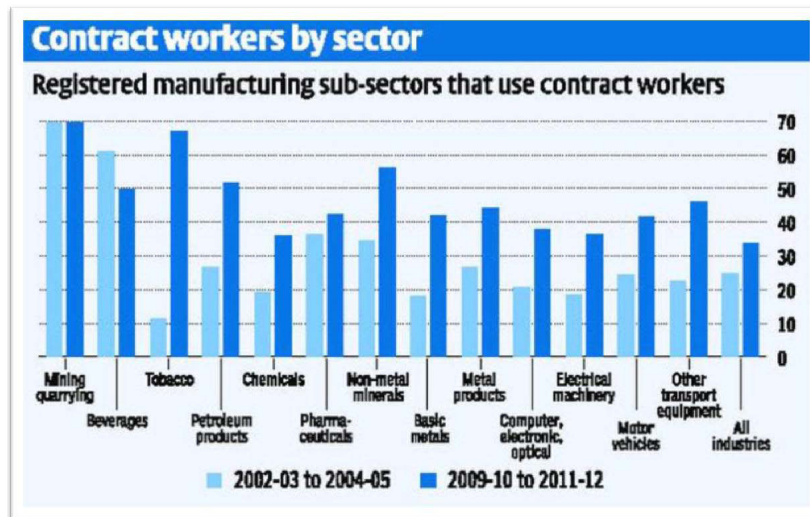
has led to a paradigm shift in the Human Resource function. The main objective is to seek better services at reduced costs. Therefore the focus of the HR function has shifted from general administrative functions to strategically decision making and policy formulation wherein cost cutting and performance management are the key areas.

Outsourcing is a company’s decision to use external companies/vendors to provide products or services that were earlier done in-house. It is an effective strategy as it leads to cost cutting to achieve strategic focus thereby enhancing competitive advantage. Outsourcing is supposed to grow especially in functions like IT, Finance and HR. Also it is playing a vital role during Merger and Acquisitions (<https://www2.deloitte.com>).

Manpower outsourcing happens when an organization has a new project or a task for which they don’t want to hire new employees. So, the need for manpower outsourcing started only when the companies were reluctant in hiring new employees especially for short term jobs. However, in the current scenario even white collar jobs are in the list for growing occupations for temporary agency workers (Cappelli and Keller, 2013).

The National Context: Manpower Outsourcing in India: The percentage share of contract workers in organized manufacturing sector has increased from 13 per cent in 1995, to 34 per cent in 2011 (India Labour and Employment Report 2014).

Table 1: Changing Proportion of Contract Workers to Total Over the Past Decade



(Source: Annual Survey of Industries, adapted from <http://www.thehindubusinessline.com>)

Table 1 depicts a sharp rise, nearly doubling of the use of contract workers in the motor vehicles auto sector. The manpower outsourcing trend in India varies from industry to industry. The annual survey of industries (ASI) of India provides data on different indicators relating to the registered manufacturing sector, using National Industries Code classifications (NIC). The reports provided with information on employment details of contract workers in addition to information on regular employed workers for the years 1998-1999 to 2000-2001. Expectedly, there has been a steady increase in the use of contract labour by almost all major industrial groups. The rankings of industry groups in terms of share of contract workers in total workers during these three years have more or less remained static except for the tobacco industry; whereas, the metal and the mineral industries show higher than average use of contract labour. Industrial groups at the all India level that use almost no contract labour are those dealing with wood and wood products, recorded media operations, photographic equipment aircraft manufacture, etc. At the all-India level, textile and textile product industries have reported relatively lower use of contract labour, i.e. between 8 and 10 per cent. On the other hand, enterprises engaged in metal products manufacture, recycling of metal wastes, food processing and animal feed processing are the highest (above 40 per cent) users of contract labour (Table 2) (Rajeev, 2009).

Table 2: Employment Details of Contract Workers in Various Industry Sectors

| 1998-1999 | | 1999-2000 | | 2000-2001 | |
|---|---------------------------------------|---|---------------------------------------|--|---------------------------------------|
| Industry group | Percentage of contract to all workers | Industry group | Percentage of contract to all workers | Industry group | Percentage of contract to all workers |
| Textile products | 7 | Textile | 8 | Textile | 8 |
| Machinery (Non electrical & electrical) | 9 | Textile products | 8 | Textile products | 9 |
| Textile | 10 | Machinery (Non electrical & electrical) | 11 | Other Manufacturing industries(not included elsewhere) | 10 |

| | | | | | |
|--|----|--|----|---|----|
| Other Manu- facturing industries(not included else- where) | 11 | Wood | 12 | Machinery (Non electrical & electrical | 12 |
| Leather & Leather products | 11 | Transport Equipments | 12 | Transport Equipments | 12 |
| Wood & Wood products | 11 | Leather & Leather prod- ucts | 12 | Wood | 13 |
| Rubber, Plastic & Petroleum products | 13 | Rubber, Plastic & Petroleum products | 14 | Rubber, Plastic & Petroleum products | 15 |
| Paper & Paper products | 13 | Paper & Paper products | 15 | Paper & Paper products | 16 |
| Mfg of bever- ages, tobacco & tobacco products | 14 | Other Manufacturing industries(not included else- where) | 16 | Leather & Leather prod- ucts | 19 |
| Metal products | 17 | Chemical & chemical products | 19 | Food products | 20 |
| Chemical & chemical prod- ucts | 18 | Food products | 19 | Chemical & chemical products | 20 |
| Transport Equip- ments | 18 | Basic metals & alloys | 21 | Basic metals & alloys | 24 |
| Food products | 20 | Metal products | 22 | Metal products | 28 |
| Basic metals & alloys | 22 | Non Metal- lic mineral products | 34 | Non Metallic mineral prod- ucts | 33 |
| Non Metallic mineral products | 34 | Mfg of bever- ages, tobacco & tobacco products | 63 | Mfg of bever- ages, tobacco & tobacco products | 60 |

Source: Compiled from ASI reports

Manpower outsourcing has been extensively used in the manufacturing organizations since many years. However due to increase in global competition and business sustenance organizations in the service industry, automobile and FMCG as well are relying on outsourcing their manpower to third party vendor. As mentioned earlier even the white collar jobs are being outsourced by organizations.

OUTSOURCED EMPLOYEES AND JOB SATISFACTION

Job satisfaction has been defined by Locke (1969) as “the state of enjoyment one feels through job evaluation enabling the achievement of one’s job values”. There are many factors relating to job that can affect job satisfaction. One of the important factors is-The level of the job: skill mismatch has a negative relationship with job satisfaction (Allen and van der Velden 2001; Mavromaras et al. 2010). Job Employment type is a vital factor in deciding the satisfaction of employees as depicted in a Meta - analysis Wilkin (2013) thus reporting that employees working in temporary capacity have lower level of job satisfaction. Job satisfaction has also been found to be inversely related to temporary employment by several researchers (Bardasi & Francesconi, 2004; Booth, Francesconi, & Frank, 2002). Research states that the majority of employees in the Indian automotive sector (about 85%) are having an average level of job satisfaction (Swarnalatha, C., & Sureshkrishna, G. (2012).

OBJECTIVE OF THE STUDY

The main objective of the study was to examine the level of job satisfaction of outsourced employees amongst the Indian automotive sector. The outsourced employees herein refers to the employees who are temporary on contract duration. This study would prove beneficial to fill the gap by analysing the effects of manpower outsourcing on outsourced employees (blue collars) with regard to job satisfaction with reference to Indian automotive sector.

The study would prove significant to many organizations in this country having employees on short term contracts, especially blue collar workers. The findings of the study would help bring out the real situation regarding the challenges faced by the automobile manufacturers. Moreover the findings of the study would prove beneficial for Human Resource Manager in formulating strategies to overcome the challenges.

METHODOLOGY

The study covered the job satisfaction level of outsourced employees with reference to the Indian automobile industry. Data was specifically collected from outsourced blue collar employees as they were considered as primary subject in the study.

SAMPLE AND SURVEY METHODOLOGY

The target population was temporary staff (Blue collars) working in different automobile manufacturing concerns. The sample consisted of 51 temporary staff employees, which were on third party payrolls. Both primary and secondary data was utilized for the study. Primary data was collected through self administered questionnaire which was converted to hindi (to be easily understood by the blue collars) while secondary data was collected from various sources like text books, journals, company reports and other published material. The data analysis was done by using SPSS version 20 (Statistical package for social sciences). The data analyzed was presented in the form of tables, figures and Charts.

VARIABLES

Several aspects of job satisfaction were used as variables in this study. The study used seven aspects of job satisfaction, which were, working conditions, supervision, advancement, coworker, creativity, compensation and welfare.

The questionnaire included questions adapted from Minnesota Job Satisfaction Scale: The short form of Minnesota Job Satisfaction Scale (MSQ) developed by Weiss, Davis, England and Lofquist, (1967) was used to gauge the job satisfaction of respondents. This consists of five point rating scale ranging from very dissatisfied (1) to very satisfied (5). This questionnaire measures the satisfaction level of individuals with various aspects of work and work environment.

RESULTS & FINDINGS

It is quite evident from the research study and its findings, that job satisfaction is one of the most important area of concern amongst the outsourced employees in the automotive sector. The table below depicts the results from the analysis. The data analysis has been done by finding the mean values of each of the variables mentioned in the study, therefore the results of the study are also based on mean values.

Table 3: Mean Score of Job Satisfaction (Variable Wise)

| | N | Minimum | Maximum | Mean | Std. Deviation |
|------------------|----|---------|---------|--------|----------------|
| work.conditions | 51 | 1.17 | 3.33 | 2.3922 | .48514 |
| Monetarybenefits | 51 | 1.00 | 4.50 | 2.5098 | .90272 |

Contd.

| | | | | | |
|--------------------|----|---|---|------|-------|
| Supervision | 51 | 1 | 5 | 2.43 | 1.082 |
| Advancement | 51 | 1 | 5 | 2.49 | 1.065 |
| Coworker support | 51 | 1 | 4 | 2.24 | .862 |
| Creativity | 51 | 1 | 4 | 2.33 | .887 |
| Welfare | 51 | 1 | 4 | 1.94 | .835 |
| Valid N (listwise) | 51 | | | | |

The above table reflects the mean values of each of the variable wherein the mean of working conditions (2.39) depicts that outsourced employees are not satisfied with the working conditions in the organization. Likewise the mean of the other variables monetary benefits (2.50), supervision (2.43), Advancement (2.49), Coworker Support (2.24), creativity (2.33) and welfare (1.94) depicts that the outsourced employees are not satisfied pertaining to these aspects offered by the organization.

Table 4: Overall Job Satisfaction

| | N | Minimum | Maximum | Mean | Std. Deviation |
|--------------------|----|---------|---------|--------|----------------|
| Job satisfaction | 51 | 1.31 | 3.15 | 2.3695 | .40060 |
| Valid N (listwise) | 51 | | | | |

The table above depicts the overall job satisfaction of employees on the 7 aspects measured. The overall mean is 2.36 which indicates dissatisfaction of job by outsourced employees on the 7 aspects measured.

DISCUSSION

As shown in table 4, the respondents reported decreased job satisfaction level.

The findings from this study explains that manpower outsourcing/ Contract staffing decreases the level of job satisfactions of employees. The research also noted that the outsourced blue collars are most dissatisfied with the welfare amenities given by the organization. The study also found that employment of outsourced employees/contract staff has nearly doubled in the automobile sector in the past decade depicting an increased use of short term workers in the automobile sector. Labor market theory explains that temporary employment has a negative influence on employee's well being and their job satisfaction. Several studies in the past have investigated the effect of contract staffing on the job satisfaction

of outsourced/contract staff. Researchers in the past have examined that many factors affect the level of job satisfaction of employees. Past studies show that temporary employment with no prospect of getting permanent/regular contract is one of the most important factors leading to decreased job satisfaction of employees (Waaiker, C. J., Belder, R., Sonneveld, H., van Bochove, C. A., & van der Weijden, I. C. (2016). However, In the context of Indian automotive sector previous studies revealed that compensation, empowerment, management leadership and teamwork are the most important and significant positive predictors of job satisfaction of employees (Swarnalatha, C., & Sureshkrishna, G. (2012). But there is a dearth of research establishing a clear pattern on job satisfaction of employees especially in the Indian automotive sector where the use of flexible workforce systems is the most. The present study fills this gap by establishing the connection between job satisfaction and outsourced employees on various factors in the Indian automotive sector.

CONCLUSION

This study contributes to the existing body of literature while empirically testing the employee job satisfaction linked to management practices within the purview of Indian automotive sector. To improve the level of employee job satisfaction in the Indian automotive sector, the study proposed a proper implementation of management practices and recommends fair treatment for all set of employees. In order to cope with the challenges faced in employing contract staff, managers must ensure adequate training & development activities for enhancing their skills to increase productivity for reviewing their compensation and benefits frequently. Also there should be equality in employee welfare schemes which in turn would lead to increase in the level of job satisfaction of employees. Further, the study recommends that the firms should implement proper human asset management practices in order to increase the job satisfaction of the employees.

LIMITATIONS & SCOPE FOR FURTHER RESEARCH

There was a dearth of literature on the job satisfaction aspects of outsourced employees pertaining to the automotive industry. Also It was challenging to

get the questionnaire filled up from employees due to their busy schedules working on the machinery. Although manpower outsourcing has been in practice from decades as organizations are finding it beneficial due to cost considerations and rationalization of employees. However, there is a need for intensive study on the development of manpower outsourcing in India. Despite the availability of extensive literature on manpower outsourcing, there is dearth of literature catering to human aspects of manpower outsourcing, since it brings with it certain implications for employees, particularly those whose jobs are at risk due to outsourcing. The disadvantages are not only limited to unemployment but also the psychological effects that it may have on employees pertaining to different industry sectors.

REFERENCES

- Allan, P. (2002). The contingent workforce: challenges and new directions. *American Business Review*, 20(2), 103.
- Allen, J., & Van der Velden, R. (2001). Educational mismatches versus skill mismatches: effects on wages, job satisfaction, and on-the-job search. *Oxford Economic Papers*, 53(3), 434-452.
- Bardasi, E., & Francesconi, M. (2004). The impact of atypical employment on individual wellbeing: evidence from a panel of British workers. *Social science & medicine*, 58(9), 1671-1688.
- Booth, A. L., Francesconi, M., & Frank, J. (2002). Temporary jobs: Stepping stones or dead ends? *The Economic Journal*, 112(480), F189-F213.
- Bruno, G. S., Caroleo, F. E., & Dessy, O. (2014). Temporary contracts and young workers' job satisfaction in Italy. In *Disadvantaged Workers* (pp. 95-120). Springer International Publishing.
- Cappelli, P. H., & Keller, J. R. (2013). A study of the extent and potential causes of alternative employment arrangements. *Industrial & Labor Relations Review*, 66(4), 874-901.
- Locke, E. A. (1969). What is job satisfaction? *Organizational Behavior and Human Performance*, 4(4), 309-336.
- Martínez, G., De Cuyper, N., & De Witte Katholieke, H. (2010). Review of temporary employment literature: Perspectives for research and development in Latin America. *Psykhé (Santiago)*, 19(1).
- Mavromaras, K., McGuinness, S., O'Leary, N. C., Sloane, P. J., & Wei, Z. (2010). Job mismatches and labour market outcomes: Panel evidence on University Graduates. *Economic Record*, 89(286), 382-395.

- Rajeev, M. (2009). Globalisation and labour market flexibility: A study of contractual employment in India. *International Journal of Development Issues*, 8(2), 168-183.
- Swarnalatha, C., & Sureshkrishna, G. (2012). Job satisfaction among employees of automotive industries in India. *International Journal of Future Computer and Communication*, 1(3), 245.
- Waaiker, C., Belder, R., Sonneveld, H., van Bochove, C., & van der Weijden, I. (2016). Temporary contracts: effect on job satisfaction and personal lives of recent PhD graduates. *Higher Education*. Retrieved from <http://dx.doi.org/10.1007/s10734-016-0050-8>
- Wandera, H. T. (2011). The effects of short term employment contract on an organization: A case of Kenya Forest Service. *International Journal of Humanities and Social Science*, 1(21), 184-204.
- Waaiker, C. J., Belder, R., Sonneveld, H., van Bochove, C. A., & van der Weijden, I. C. (2016). Temporary contracts: Effect on job satisfaction and personal lives of recent PhD graduates. *Higher Education*, 1-19.
- Wilkin, C. L. (2013). I can't get no job satisfaction: Meta-analysis comparing permanent and contingent workers. *Journal of Organizational Behavior*, 34(1), 47-64.
- <https://www2.deloitte.com/content/dam/Deloitte/nl/Documents/operations/deloitte-nl-s&o-global-outsourcing-survey.pdf>,
- <http://www.ihdindia.org/ILERpdf/Highlights%20of%20the%20Report.pdf>
- <http://www.thehindubusinessline.com/opinion/columns/c-p-chandrasekhar/rise-of-contract-workers-in-manufacturing/article5956895.ece>