

# Managerial Communication for Productive Employee Relations in Indian Micro and Small-Scale Industries

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## Abstract

Small Scale Industries in the Indian economy are important cogs in the wheel, as they contribute significantly to industrial GDP. They account for most of the organized labour employment and form crucial links in logistics and supply chain systems in the Indian industry. In recent years particularly during the COVID-19 pandemic, many of these units across the nation were unable to cope with the economic downturn and were forced to close. The path to economic recovery is complex, with many dimensions like market dynamics, investment, and policy instruments impacting each other. One of these factors is the labour component - unavailability of skilled labour, inflexible labour laws, low retention rates and high labour costs are some of the major labour-related issues that obstruct the growth of this sector. This paper discusses some of the chronic issues in labour management in Micro, Small and Medium Enterprises in India and their communication challenges. It explores ways to make the Industrial Relations climate proactive and effective for these Units by adopting strategic and participatory communication. Concepts like teamwork, motivation, free communication, and mutual trust are established requirements for the growth and development of any organization. But they are difficult to achieve in an MSME because of unique challenges like literacy, size, and socioeconomic background of the unorganized workforce. It is worth exploring whether strategic communication approaches can be used to improve efficiency and the work environment of unorganized labour groups. Once a basic model of an open communication system is established in this sector, labour relations may turn out to be a strength of the Micro, Small and Medium Enterprises (MSME) sector rather than a challenge.

**Keywords:** Strategic Communication, Employee Relations, Indian MSME Sector, Challenges of MSME

## Introduction: Indian Micro Small and Medium Enterprises (MSME) Sector

*Industrial growth and the manufacturing prowess of a country are key determinants of its standing in the global business order. In the words of the first Prime Minister of India, Pandit Nehru - The alternative (to industrialization) is to remain a backward, underdeveloped, poverty-stricken and weak country. We cannot even retain our freedom without industrial growth (Report, 1995).*

Micro Small and Medium Enterprises (MSME) sector is one of the major employment-generating economic activities in India, especially in the rural and semi-urban areas. It provides crucial ancillary manufacturing support to large industries and helps foster entrepreneurship and self-sustenance. Many of these units work to support socially and economically backward sections of the population. They are also the last frontiers of many dying traditional handicrafts and arts that need to be preserved for the cultural integrity of our country.

As defined in the official website of the Ministry of MSME, the term 'Manufacturing Enterprise' is applied to all the enterprises engaged in the manufacture or production of goods pertaining to any industry specified in the first schedule to the industries (Industrial Development and Regulation Act, 1951) or employing plant and machinery in the process of value addition to the final product having a distinct name or character or use. The categories of Manufacturing Enterprise are defined in terms of investment in Plant & Machinery (Development Commissioner, Ministry of MSME n.d.).

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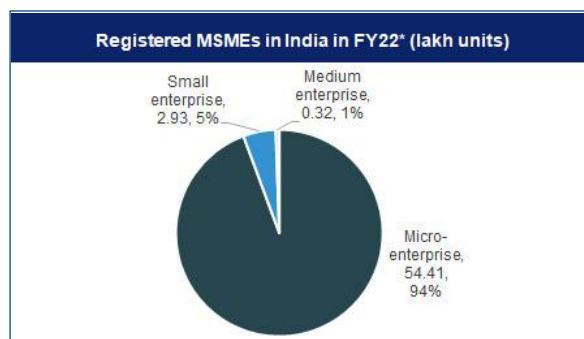
## Micro, Small and Medium Enterprises Classification 2020

**Table 1: Classification Norms as per Aatma Nirbhar Bharat Abhiyan Scheme in 2020**

Size of the Enterprise	Investment and Annual Turnover
Micro	Investment < Rs. 1 crore Turnover < Rs. 5 crores
Small	Investment < Rs. 10 crores Turnover max limit Rs. 50 crores
Medium	Investment < Rs. 20 crores Turnover max limit Rs. 100 crores

Source: Report of Ministry of MSME, Year 2022.

According to the National Sample Survey (NSS) 73rd Round data, the MSME sector generated 11.02 crore jobs in 2015-26. Of these, about 90% were in the category of Micro units with an investment of less than one crore rupees. The Micro Sector, with 630.52 lakh enterprises, accounts for more than 99% of the estimated number of MSMEs in the country.



Source: Report of Ministry of Micro, Small & Medium Enterprises, Year 2022.

**Fig. 1: Distribution of MSME Units According to Their Size**

*Need for Study:* The MSME sector is one of the largest avenues for employment for the marginalised sections of our society – the unemployed, skilled but uneducated and the socially oppressed. It is vital for the health of our economy and the development of our people that this sector prospers and breaks the chronic barriers of low productivity. There are many examples in our country when simple out-of-the-box thinking and effective communication in a community have brought about positive changes. For instance, renowned journalist and author P. Sainath has described how the women of

Pudukkottai, a small town in Tamil Nadu, gained financial independence by learning how to cycle – mobility became the key driver for their success (Sainath, 1996).

According to several reports in the media, the past two years of the COVID pandemic have caused a major decline in the growth and productivity of most rural and small-scale industries all over the world. Indian MSME sector has shown better resilience because of the deeply interconnected ties with the agriculture, manufacturing, and services sector (Report, Ministry of MSME, 2022). Communication may be one of the missing links in improving employee productivity in this case and needs to be explored as a strategy.

## Research Questions and Objectives

In recent years a lot of policy impetus has been given to this sector from both the Central and State Governments, particularly in the wake of the adverse economic impact due to the economic lockdown imposed in the year 2020. Despite these measures, many units are suffering from losses and may be on the verge of closure. The COVID-19 crisis only accentuated a problem of the MSMEs that was long-standing – that of low profitability. The relationship between low productivity and low marginal returns is explained by Banerjee and Duflo (2011) as the main reason why the businesses run by the poor remain poor. The inability of these businesses to capture new markets and adapt new methods of production and technology can be linked to an inherent lack of strategic communication – both internal and external. This paper is a theoretical/conceptual approach to apply strategic communication to some of the major challenges faced by Indian MSMEs in present times.

Following are the Research Questions that the study attempts to answer in some measure:

- Can some of the problems in Indian micro and small-scale industries be mitigated by effective communication between the managers and the workers?
- What can be the strategic approaches to communication for this purpose?

As we are aware, most of the micro and small units come under the unorganised sector, due to which their operations and problems are influenced by local socio-political conditions and policies of the State Governments.

This reduces their flexibility to respond quickly to market changes. Prompt communication by managers with external stakeholders and managing inter-organisational narratives can help mitigate these issues. Another unique challenge of Indian MSMEs is the management of labour, most of which comes from the unorganised and marginalised sections of society. To answer our research questions, the following Objectives of the study are outlined:

- *Objective 1:* To analyse some of the main challenges to the MSME sector (based on literature review and secondary sources of information available).
- *Objective 2:* To explore the role and scope of managerial communication in labour productivity improvement of small industrial units.
- *Objective 3:* To develop a model of strategic communication implementation based on the conceptual analysis presented in the paper.

## Methodology

The paper presents a Conceptual Analysis of strategic communication by incorporating several aspects of the MSME sector in India. Conceptual analysis is the analysis of concepts, terms, variables, definitions, assertions, and theories related to a topic to determine clarity and coherence. It is done by critically examining their logical relations and identifying assumptions and implications. This paper takes insights from theoretical approaches used in HRM, rural development and communication study. Data is collected from secondary sources, particularly from Reports published by the Government of India, to analyse the research questions in the study. This is a *qualitative conceptual analysis* designed to provide an exploratory view of the implementation of strategic communication as a tool for benefiting the Indian MSMEs.

## Review of Literature - Identifying Major Issues and Challenges

One of the major constraints to the increasing scale of production and expansion for MSME units is the labour regulation framework. Economists have time and again pointed out the urgent need to introduce flexibility in these archaic laws to make India an investment-friendly option for global players. Indian labour laws today are non-uniform, ambiguous, and far too many in number

and complications. Most of these find their origin in the newly independent years of the country and the pro-socialist ideology of the Governments at that time. The focus of legislation then was to protect the labour force from exploitation, but today the situation is changed drastically. Labour legislations of the country, such as the Payment of Wages Act (1936), Industrial Employment Act (Standing Orders) of 1946, etc., do provide statutory benefits and protection to industrial workers. However, in the post-globalisation era, these very regulations are a deterrent to rapid growth and global competitiveness.

A globalised economy is also a profoundly networked economy in which all elements of a supply chain are connected to each other. With the labour restrictions, on the one hand, the workforce is losing out on employment and opportunity for economic growth, and on the other hand, businesses are losing in competition from foreign markets because they can no longer be shielded from the impact of global economic forces (Economic Survey, 2017, p. 19). The need for regulating malpractices, exploitation and discrimination is paramount, but there is a parallel need to identify means to achieve sustenance and growth to protect livelihoods.

Labour is an important factor of production for a business, more so for small-scale manufacturing units. The collective relationship between management/owners, employees/workers, and the Government in any industrial or non-industrial organisation is referred to as Industrial Relations (Srivastava, 2013).

In a typical small-scale industrial unit, communication flow can be categorised into two basic types – upward and downward. While downward communication in the form of orders, circulars, notices, or letters are common, upward communication is almost non-existent unless specifically required by the management. There is generally no mechanism in place to take the flow of thoughts, ideas, opinions, grievances etc., from the workers' end to the management. A majority of MSME units in India are found in small cities or villages, typically employing about 10-30 workers from nearby areas, most of them unskilled and from financially poor families. Labour issues are concerns both for the workers as well as management of the units.

Following is a brief description of major sources of conflict between workers and management, and hence the scope for resolving them, at least to some extent, through effective communication.

- *Low Wages/High Labour Costs:* The dissatisfaction of workers with wages and allowances is a key feature of most industrial disputes. Though the payment of minimum wages is statutory, and the rate is revised regularly by the Ministry of Labour, in practice, payments to the workers are still discretionary to the owners. As many of the workers are illiterate and unaware of regulations, they tend to be exploited, or in some cases, they voluntarily work for lower wages due to lack of employment. Gender discrimination is also a major issue in this sector, as women form a considerable part of the workforce. However, the legal mandate of 'equal pay for equal work' is flouted openly. On the other hand, there are many states, like Gujarat, Punjab and Maharashtra, where prevailing wage rates are two to three times the rates in other states. Here the management is forced to cut into their already depleting margins to remain operational or turn to casual/outsourced labour, thereby affecting the company's competitiveness and expansion plans.
- *Illiteracy and Unskilled Manpower:* These are two separate problems but are interconnected. Illiteracy refers to a lack of basic reading, writing and calculation skills, which needs no explanation for its ill effect on productivity. However, even those workers who have gone to school may be unskilled when it comes to technical jobs like soldering, weaving, or handling machines. Though the management provides basic training to recruits, the least efforts are made to evaluate and upgrade the skills imparted. The basic training also fails to cover vital areas like health and safety, quality, international standards, and the use of IT skills. From the management's point of view, workers often use their training to find better jobs in bigger companies or bigger cities. The low retention rate of skilled labour is a financial as well as skill resource loss for the unit.
- *Poor Management:* Many MSME units are run as family businesses with traditional management and accounting practices. Since the units are run on low budgets and low turnovers, they cannot afford to hire professional management help. As a result, their operations, right from procurement of material, production technology, quality control, and marketing, are still rudimentary in terms of modern management principles. This, in turn, affects the way the labour force is recruited, managed, and trained. Though these units are suppliers to some of the biggest corporate manufacturers, they do not receive adequate technical and managerial assistance, which reflects poor working conditions for workers.
- *Job Insecurity:* MSME units can operate with a minimum workforce, with whom they have casual contracts that allow hiring and firing as per market demand. Even if the nature of the contract is for long-term employment, the survival of the unit itself is doubtful in times of recession. In recent years several units across the country in textile (Spinning and weaving), mineral mining, and automobile (ancillary parts) sectors were forced to shut down due to slack demand. In such situations, the workers are left to fend for themselves and find new employment. The situation is not happy on the management side either – they are faced with the problem of a shortage of skilled workers during peak demand and the compulsion to pay those on the company rolls even during lean periods of the year. So, they end up as mere training schools for contract labourers who shift to other better-paying jobs at the first chance they get. Government programs like MNREGA (Mahatma Gandhi Rural Employment Guarantee Act) are lucrative options for unskilled workers, thus raising the labour costs of the management every year.
- *Working Conditions:* MSME sector is not immune to the common problems faced by the industrial labour force in general – health, sanitation, safety at work (practices and equipment), special requirements of women workers (maternity benefits, protection against harassment), minimum financial and social security (compensation claims for work-related accidents, gratuity and Provident Fund) etc. Though most of these facilities are mandatory, many MSME units do not comply with them to save on overhead costs. The regulatory mechanisms are ad hoc, and there are several loopholes in the numerous labour laws applicable at State and Central levels. Non-compliance to these laws is, ironically, one of the main reasons for large industrial houses to outsource their procurements to these small units, as there is lesser vigilance here.

## Communication Strategies to Generate Proactive Employee Relations in MSME

The importance of open communication, trust, motivation, and employee involvement in decision-making is well-known and universally accepted in modern Human Resource Management practice. Unfortunately, what is not realized is that these concepts are valid not only for the white-collar employees but also for the shop floor workers, for the casual labourers, in fact, for any worker contributing to an organized effort at production. Given the resource constraints and financial and infrastructural problems of the MSME sector, investing in improving communication may seem like a low-priority objective. But labour costs and the unavailability of skilled labour figures as the top concerns in any analysis of MSME performance reports in the last five years. In this context investing in strengthening ties with workers, especially with those on payroll, might be a good way of reducing losses in future.

In this section, we focus on how communication can help bring labour and management to a common understanding of the issues and solutions in the MSME sector. Following are some concepts that the management of these units must incorporate into their ER Policy:

- *Information Sharing:* The increasing penetration of access to the internet and mobile communication has transformed every sector of the economy, and MSME is no exception. Information such as a change in prices of raw materials, changes or reforms proposed in labour legislations, entry of new competitors etc., needs to be shared as freely as possible between the two stakeholders. When the workers are informed about what is happening in the company and why, they feel more connected and involved. Hence the management must encourage their staff to answer queries, explain new techniques and inform the workers when there is a change of routine or aberration.

Information sharing becomes crucial when there are rumours circulating about the company or its interests. Prompt and direct downward communication conveying facts can smoothen the situation. Also, simple written forms of communication like pamphlets, newsletters, or notices at different places on the shop floor will help in keeping the workers connected as well as motivated.

- *Two-Way Communication:* Most theories in effective business communication (Bovee, Thill & Raina, 2017) recommend a non-linear, two-way communication path, which applies particularly well to a small-sized business unit. This has been called the ‘social model’ of communication as different from the basic communication model comprising the sender, message, medium, channel, and receiver as the main entities. In the social model, there are many senders and many receivers, and the communication is more of a conversation rather than an instruction. This is the model also recommended for participatory development communication in rural development.

An MSME unit generally has less than fifty employees, so multiple layers of organizational structure are not feasible. There is generally one supervisor who reports to a manager who directly reports to the decision maker, who may or may not be the owner of the business. In a simple structure like this, a communication effort that expects the ‘receivers’ of the message to only comply is not only counterproductive but also demotivating. There must be a system in place for workers to give feedback and share their ideas and their grievances.

The information feedback system can be a weekly meeting for open discussion, in which the owner, front-line manager and supervisor mandatorily participate. Another way can be a member of the management assigned to get regular feedback from the workers on matters of common interest like productivity, improvements on shopfloor etc. This strategy, in due course of time, will fill in the loopholes generated by ineffective management practices, as workers will draw attention to the same. This also becomes an early warning system of potential problems, like the grapevine or more serious safety-related issues.

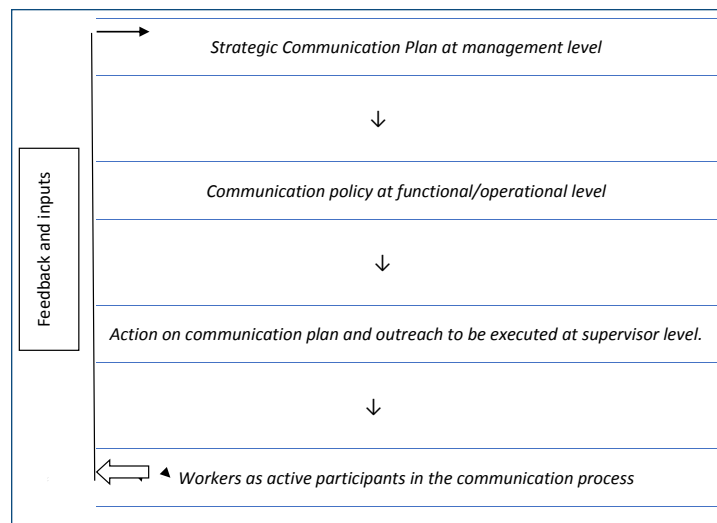
- *Communication in Training, Multi-Skill Development:* The Company’s policy must pay special attention to the design and execution of the initial training and orientation given to recruits. The content should be as exhaustive as possible, including safety and quality norms, especially in industries dealing with perishable food, hazardous chemicals, or electrical equipment. The communication for MSMEs, especially in rural areas, should be designed keeping in mind the literacy levels and language barriers. For experienced workers, the fo-

cus of training should be to develop more than one kind of skill for each worker on permanent payrolls since they can be shuffled and rotated during lean periods of demand. This will resolve the issue of the unavailability of skilled manpower.

- *Joint Consultation:* This is a well-known method of handling Employee Relations in Japanese management systems that is an effective tool for achieving common goals of labour and management. In Joint Consultation, the management invites chosen representatives from the workers, usually based on seniority, skills, and education, to advise them on issues like working conditions, productivity, company policies, additional benefits to employees etc. The problem of wage rate settlement can be handled using this approach. This generates goodwill and a sense of commitment to the workers, whereas the management can find practical solutions to concerns affecting their employees.
- *Communication as Part of Work Culture:* The stim-

ulus for speaking up for the free flow of ideas and opinions needs to be built into the daily routine of the workers. Coming from different cultural backgrounds, many of them may not be inclined to speak directly at meetings. For connecting everyone to the communication work culture, occasions like morning muster, tea and lunch breaks may be used to get informal reports and feedback. Celebrating special occasions like the birth of a child, marriages, festivals, etc., at the workplace will give them a feeling of being part of an extended family at the company. The mistrust and fear of downsizing during hard times will be replaced by confidence in the management's decisions.

To implement these strategies, the firm will need to make accommodations in its basic business plan and have a documented action plan. Like any other strategy, the document must have a time frame, objectives, persons responsible and an analysis of results from time to time. The process is depicted as follows:



Source: Author.

**Fig. 2: A Model of Cyclical Process of Directive and Responsive Communication for MSME Units**

As depicted in the model, communication at the level of management should set the objectives of the overall strategy for increased employee productivity. This should be based on the feedbacks and discussions among the employees/workers, of which the management is an active part. The directives and policies are communicated at the functional level and the supervisor level. Workers at the end of this chain are active participants who give

feedbacks and suggestions that again work as inputs for the senior management. This is a cyclical process of directive communication and response that improves each time it completes a phase.

## Conclusion

The Ministry of Micro Small and Medium Enterprises (MSME), the Government of India and other NGOs

have suggested and implemented many new policies and schemes for the development of this sector. Most of the reports and analysis point towards the same problems, and the solutions are also well acknowledged as urgent reforms required in banking and labour regulations. However, in a democracy like ours, reforms are easier said than done, with several complications at every step of the procedure. In the meantime, the MSME units themselves must evolve innovative solutions to move ahead in a rapidly changing and highly competitive business world. Labour relations which at present are one of the major costs for these units, can turn into major assets if managed proactively. Indian managers can learn from Japanese and German middle-level industries in chiselling out effective contracts with their labour force, to the effect that workers are retained even at a lower wage rate but not laid off during economic downturns. Companies must pursue Strategic Communication Policy to make their labour force highly productive, committed and motivated to contribute to the growth of this sector.

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