CHAPTER 1: INTRODUCTION

1-1 Indian Manufacturing and Information Technology Scenario

1.1.1 Indian Manufacturing Industry Scenario:

In India manufacturing sector is the backbone of the economy. The sector leads to productivity, growth, and employment, in services and agriculture sectors. The efficient development of transportation, logistics Industry and IT, along with opening of trade barriers, has led to significant growth of global manufacturing because of India’s work force having comparatively lower wages, efficient, and appropriate aptitude for the jobs. (India Industry/manufacturing)

Industrial Production in India averaged a growth of 6.40 percent Year on Year from 1994 to 2016, (Sector wise-GDP-contribution-of-India). A study by The Associated Chambers of Commerce and Industry of India (ASSOCHAM) India's manufacturing sector projects that 3.2 million manufacturing jobs during the period of 2012-17 will be created. The report also found that the sector registered 28.5% growth in employment generation during the period of 11th plan (2007-12) (Manufacturing from ASSOCHAM report-2015)

Contribution to GDP in financial year (2014-15) of the Manufacturing Sector including Mining is 30%, having Gross Value Addition of Rs. 34.67 Lakh Crore. If mining utilities like electricity and construction are excluded them total contribution of the remaining Manufacturing is 18%, Contribution of Services sector is 53% having Gross Value Addition at Rs. 61.18 Lakh Crore the largest sector of India, and Contribution of Agriculture is 17% having Gross Value Added at current prices is R. 19.65 Lakh Crore (Sector wise-gdp-contribution-of-India). India’s Share in
Current Global Trade is 2% and it is forecasted to increase to 3.5% by 2020. India is aiming to approximately double its goods and services exports to $900 billion by 2019-2020 (Trade-growth-cent-GDP)

1.1.2 Information Technology (IT) Scenario in India

The factors that led to growth of IT in India are growth of Information Technology parks as well as fast industrialization and in the country, Telecommunication thrown open for Private Players, Various Special Economic Zone (SEZ) and Information Technology Companies getting Tax benefits in these zones, a large number of Man Power resources available in the country, and low operating costs, Tax breaks and sops offered by the government (IT / ITES (BPO) Industry). India has the largest share of World Outsourcing Industry at 55% in year 2015. India has become a major exporter of Information Technology services, BPO services, and Software services. The Information Technology industry is the largest private sector employer in India; it is fourth largest hub of start-ups. It has over 3,100 technology start-ups in 2014-15. It is also magnet of PE-VC investment’s 53% share and amount at 6 billion USD. The India has $600 billion worth of retail market in 2015 and it is one of world's fastest growing E-Commerce markets.

Information technology in India is an industry having two major components: Information Technology Services and Business Process Outsourcing (BPO). The sector’s contribution to India's GDP has from 1.2% in 1998 to 9.5% in 2015. According to NASSCOM the sector’s total revenues of US$147 billion in 2015(including E-Commerce), export revenue was at US$99 billion and domestic at US$48 billion, with 13% growth over previous year. Information technology has transformed India's image from a slow moving bureaucratic economy to a land of innovative entrepreneurs. Direct employment generated by the Information Technology sector in India is 3.5 million in year 2015 with over 1.2 million women. Total employment is around 10
million. India is one of the biggest Information Technology players and all the major players in the world Information Technology sector are present in the country. Exports dominate the industry and contribute about 77% of the total industry revenue but the domestic market is also significant with a robust revenue growth. Phenomenal increase from less than 4% in FY1998 to about 25% in FY2012 has happened in the industry’s share of total Indian exports which includes merchandise and services. It has the largest share of Indian Services Export in year 2015 at 38%.

The Indian Information Technology (IT) sector is expected to grow 11 per cent per annum and triple its current annual revenue to reach US$ 350 billion by FY 2025, as per National Association of Software and Services Companies (India-IT-BPOINDUSTRY-Nasscom.com-2016)

1.1.3 Context of Manufacturing and Information Technology Industry in NCR

The National Capital Region (NCR) is a hub of economic activities for entire North India. The various Development oriented activities in NCR namely extension of the Delhi Metro throughout NCR, Expressways connecting Delhi NCR to other parts of the region, the DMIC or Delhi-Mumbai Industrial Corridor, development of Special Economic Zones (SEZs) and Dedicated Freight Corridor will have further significant impact on the economy of NCR. NCR contributes 128.98 Billion USD and 7.5% of GDP of India (2011-12). The NCR consists of the NCT Delhi, and a total 15 districts of the States of Haryana, Uttar Pradesh, and Rajasthan. It has a population of over 460 lakhs as per 2011 census. The annual growth rate of GDP of NCT is more than 10%. The per capita income of Delhi was Rs. 210000 (Year-2013), the second highest in India (Final Report of study of economic profile NCR 2015- ncrpb.nic.in)
Manufacturing Sector in NCR:

The Manufacturing and Utilities has a 25% share of the total GDP of NCR. Details of major sectors and location of investment are as detailed here:(1) Gurgaon and Noida-Information Technology (IT), Information Technology Enabled Services (ITES), Business Process Outsourcing (BPO), Knowledge Process Outsourcing (KPO), (2) National Capital Territory (NCT)- financial services, and (3) Faridabad-Engineering Items and Textiles. The NCR has a total of 53 industrial clusters, of which maximum number (11) are in the Rubber & Chemicals industry, while Auto Component clusters have maximum number of units (25,900) but maximum workers are employed in Textile clusters (4,94,116) (2009-10). NCT of Delhi has approximately one lakh manufacturing units employing nearly six lakh people, most of the units are operating in the unorganized sector. It is estimated that 97,636 manufacturing units in the unorganized sector employ 4.5 lakh workers in this region (NSSO, 2005). In terms of manufacturing units in the organized sector, only 3,312 units are recorded employing 1.2 lakhs workers (Annual Survey of Industries, 2005). NCT of Delhi has major presence of garment and furniture manufacturers followed by electrical machinery production and repair services. Manufacturing in Delhi is widely small-scale and low-skilled. The SSI sector is in areas of repair services for capital goods and principally engaged in manufacturing of metal products, leather and fur products, wooden furniture, and food processing. (Final Report of study of economic profile NCR 2015-ncrpb.nic.in)

The important industrial sector locations in NCR are Meerut, Ghaziabad, Gautam Budha Nagar, Bulandshahar, Delhi, Gurgaon, Faridabad, and Panipat. There are more than 40 Industrial concentrations in the area such as auto component, textiles, general engineering, power looms, carpet, etc. The growth of large and medium industries and small scale industries has been
outside NCT of Delhi primarily due to regulatory issues and also the historical and other factors like availability of cheaper land in areas outside NCT in NCR. Total number of Industrial units in NCR were 152474 having Employment of 10, 73,131 and investment of Rs. 9, 83, 577.29 Lakhs of INR. (2009-10). (Final Report of study of economic profile -NCR 2015 from ncrpb.nic.in ).

The above available information leads to conclusion that due to historic reasons the NCR has developed as a major manufacturing hub and have lot Industries and is one of the most vibrant areas of various World Class manufacturing activities and giving employment of millions of people and contributing significantly to GDP.

**Information Technology:**

Delhi NCR is the second largest destination for employment in Information Technology Sector. Gurgaon and Noida is hub of Information Technology, Business Process Management (BPM), companies in Information Technology (IT) services and other fields of Information Technology. It is contributing to GDP as figures discussed above, and also contributing to more than a million direct jobs. Primarily this has happened because of Telecom Infrastructure, Connectivity, availability of office and work spaces, and also of Technical Manpower. The potential of the Industry is being recognized by the NCR State Governments. The Delhi Government has made an additional IT Park at Shastri Park. Similarly U.P., and Haryana Governments and Private players are making more IT and ITES parks apart from existing Government and Private Parks and SEZs. (Final Report of study of economic profile -NCR 2015 from ncrpb.nic.in 2015 Economic Profile of NCR)
1.2 Need of the Study

Employee Engagement is currently one of the most discussed topic of HRM and is playing an important role in productivity in an organization. Finding out Drivers of Employee Engagement in Industry in the present context will be very useful to Industry. Through literature study it was found that Personal Attributes, Organizational Climate, Psychological Empowerment, and Leadership Empowerment are important parameters for understanding Employee Engagement; but there is no single study which has all the above factored into a study. Manufacturing and Information Technology sectors are important and large segments of Industry. In the National Capital Region (NCR) there is a fair representation of these sectors and therefore it was decided to base the Research specifically in the NCR. None of the previous studies covered width and depth of both the sectors. The above factors reinforced the need of study in these sectors. Making Industry relevant contribution in the field through Research was the felt need for this study.

Emerging trends in the global economy have fastened the necessity for organizations to find innovative ways to address new technological, demographic and new HR policies to retain and attract talented workforce. Employee engagement lead to positive job outcomes including active coping style (Storm and Rothmann, 2003), job satisfaction and performance (Gruman and Saks, 2011; Koyuncu et al., 2006; Schaufeli and Salanova, 2007), and creativity (e.g. Bakker and Xanthopoulou, 2013). The following studies found that job resources like autonomy, task identity, and social support leads to work engagement and performance (Bakker & Demerouti, 2007; Fried & Ferris, 1987). Studies by Gist & Mitchell (1992), and Luthans et al., (2006) have emphasized the role of self efficacy in explaining the transition from job resources to positive psychological and organizational outcomes. Kahn (1990) suggested that individual differences decides person’s personality, which in turn, affects their ability to personally engage or
disengage in some or all types or role performances. Resilience and self efficacy is also related to engagement (Bakker et al., 2006). According to Judge et al. (2004) Individuals who perceive themselves positively are more likely to pursue roles that align to their values, called self concordance, which promotes intrinsic motivation and may promote engagement at work. Mohanty and Routray, (2009) stated HRD climate improves organizational effectiveness by leading to better outcomes in terms of competent, satisfied, committed and dynamic workforce.

The above discussion underlines the need of the study to find answers of what all factors are drivers of Employee Engagement to meet HR challenges of present Business scenario in an effective manner.

1.3 Importance of Employee Engagement

Manufacturing Industries and Information Technology Services are being faced with intense competition. Manpower is considered to be the most important factor and also most important differentiator between organizations. In order to gain competitive advantage Business Firms adopt Employee Engagement practices. Employee engagement is an important element to company performance, leading to positive effects such as higher productivity, improved work quality, and decreased job turnover. Further it was found that highly engaged employees in the organizations increase commitment to and passion for organization's goals, bring higher employees retention, create a high energy working environment, bring higher employees retention, higher levels of creativity and innovations, greater sense of team, greater alignment with organization's values and sustained long term success (Banks and May, 1999; Luthans and Youssef, 2007; Rayton B. et al., 2012; Rich Bruce Louis et al., 2010). One of the most popular definition of Employee Engagement: “Engagement, is about passion and commitment—the willingness to invest oneself and expend one’s discretionary effort to help the employer succeed”
(Erickson, 2005). Haudan & MacLean (2002) findings were that Engagement of employees is also positively related to profit. According to Bakker et al. (2008) Engaged employees inspire their colleagues, which lead to improvement in coordination in the team. Harter J.K. et al. (2002) findings were that engagement is related to attitudes of employees and customers. Further findings demonstrated superior levels of engagement, reducing of attrition, and customers were more likely to demonstrate loyalty to these engaged units. Findings of Britt et al. (2005) were that when people are engaged at work, they are resilient even when overloaded with responsibilities. Findings of Schalkwyk1 Sonet van et al (2010) Employee Engagement partially mediated the relationship between leadership empowerment behaviour and turnover intention. According to Gujral H. K. and Jain I. ( 2013), Employee engagement results in organizational citizenship behaviour, employee commitment and employee satisfaction. Salanova et al. (2006) findings were that engaged employees are more likely to find about organization and build resources of organization for example they will like to get support from co-workers and gain knowledge about the organization and, which help these individuals to cope with demands and complex situations. According to Seppala et al. (2012) Engaged employees were found to be almost three times more likely to feel their work lives positively affected their health than those employees who were actively disengaged. According to Cropanzano & Wright (2001) engagement brings out positive emotions, which can enhance flexibility, optimism, and creativity. Hakanen et al. (2006) findings were that Teachers who were the most engaged attracted more favourable ratings of performance.
1.4 Drivers of Employee Engagement:

1.4.1 Self Efficacy:

According to Bandura (1986) Self-efficacy is the extent to which an individual believes him or herself capable of successfully performing a specific behavior. Empirical research on self-efficacy indicates a strong and consistent link between self-efficacy and Employee Engagement. Researchers have linked self-efficacy to job search success (Kanfer and Hulin, 1985; Rife and Kilty, 1990), improved attendance behaviour (Frayne and Latham, 1987; Latham and Frayne, 1989), increased task performance (Barling and Beattie, 1983; Lee and Gillen, 1989; Mathieu et al., 1993) and academic achievement (Multon et al., 1991; Relich et al., 1986). Mache Stefanie et al. (2014) findings were there is a significant positive correlation between Self-efficacy and work engagement. It was found that higher a person’s self-efficacy, the more likely the employee begin job tasks, is able to meet various job demands, acts and decides originally and can handle job challenges or work problems. According to Judge et al. (2004) Individuals who perceive themselves positively are more likely to pursue roles that align to their values called self concordance, and promotes intrinsic motivation and which in turn leads to Employee Engagement. Bakker et al. (2008) findings were that self-efficacy and optimism make a unique contribution to explaining variance in work engagement over time found out that personal resources have a stronger impact on work engagement than other job resources. The positive influences of self-efficacy have been well documented and strong empirical support exists for the effects of self-efficacy on Employee Engagement and in turn performance.
1.4.2 Organizational Climate:

Organizational Climate at the work place having characteristics of Supportive management involves giving employees greater control over their work efforts and how they achieve their job goals (Brown and Leigh, 1996). Supportive management may indicate that managers trust their employees and have confidence in employees’ abilities to carry out their jobs, and should potentially create pleasurable emotional state resulting from the appraisal of one’s job as achieving or facilitating the achievement of one’s job values (Locke, 1969).

The dynamic and competitive business environment need continuous improvement in productivity and also change in direction of customer centred management, flexible and less hierarchical, and decentralized organization structure; all have lead to making empowerment of employees a need of the hour (Bartunek & Spreitzer, 2006). The nature of work has become complex, demanding (Humphrey et al.2007), and highly skilled, educated and knowledge workers have become a rapidly growing segment of the workforce (Parker et al. 2001).

Gouldner (1960) opined that if employees are supported by Management then according to the reciprocity rule, the recipient of benefit is morally obliged to recompense the donor. Shuck B. et al. (2014) in their Study found out that (2014) in their Study found out that cognitive, emotional, and behavioral engagement; and participation in HRD practices were negatively related to employee leaving the organization intention. Engagement also partly mediated the relation between HRD practices and employee turnover intent.
1.4.3 Empowerment

The concept of empowerment is closely aligned with this thrust to gain organizational effectiveness through the wise utilization of human resources. Conger and Kanungo (1988) stated that empowerment is main part of organizational and managerial efficacy and empowerment practice play a central role in group development and safeguarding. Because of present team based working (Parker, 1994), empowerment is vital at both the team and individual levels. According to Thomas and Velthouse (1990) the various results of psychological empowerment are initiative, energy, action, determination and toughness.

In the present environment companies have to try to make the best of each employee’s skills and capabilities (Ulrich, 1997). Organisations need a core of employees who are engaged in the organisation’s values and goals, and who show their maximum potential (Meyer and Allen, 1997). Purcell et al. 2003 had argued that employee engagement is only meaningful if there is a more genuine sharing of responsibility between management and employees over issues of substance. Konrad (2006) stated engagement has been found to be closely linked to feelings and perceptions around being involved and valued, which in turn generates the kinds of discretionary effort that lead to enhanced performance. Such evidence implies that management needs to share control and allow employees to influence important decisions. The evidence of performance implies that management should allow employees to influence important decisions and share control.

Therefore based on the relationships between Self Efficacy, Organizational Climate, Psychological, and Leadership Empowerment and Employee Engagement in contemporary environment in Information Technology and Manufacturing Industry Sectors, the study is an
attempt to fill the existing gap and address need for a comprehensive study for finding out predictors of Employee Engagement in Information Technology and Manufacturing Industry Sectors and also to compare both of them. The study will contribute to literature and find answers of how effective Employee Engagement can happen at work place.

The above discussion about the importance of Employee Engagement and the drivers of Employee Engagement establishes that Research Study on Employee Engagement and the key drivers will help practitioners to see, how Self Efficacy, Empowerment and Organizational Climate impacts Employee Engagement. This empirical study will also help to build an Employee Engagement model in contemporary context for Manufacturing and IT Sectors of Economy.