



International
Labour
Organization

▶ **Towards
a human-centred
agenda: Human resource
management in the BRICS
countries in the face
of global challenges**

Edited by Nikolai Rogovsky and Fang Lee Cooke

▶ **Towards a human-centred agenda:
Human resource management
in the BRICS countries in the face
of global challenges**

Edited by Nikolai Rogovsky and Fang Lee Cooke

Copyright © International Labour Organization 2021
First published 2021

Publications of the International Labour Office enjoy copyright under Protocol 2 of the Universal Copyright Convention. Nevertheless, short excerpts from them may be reproduced without authorization, on condition that the source is indicated. For rights of reproduction or translation, application should be made to ILO Publishing (Rights and Licensing), International Labour Office, CH-1211 Geneva 22, Switzerland, or by email: rights@ilo.org. The International Labour Office welcomes such applications.

Libraries, institutions and other users registered with a reproduction rights organization may make copies in accordance with the licences issued to them for this purpose. Visit www.ifrro.org to find the reproduction rights organization in your country.

Towards a human-centred agenda: Human resource management in the BRICS countries in the face of global challenges. Edited by Nikolai Rogovsky and Fang Lee Cooke.

ISBN: 978-92-2-035216-8 (print)

ISBN: 978-92-2-035217-5 (web PDF)

The designations employed in ILO publications, which are in conformity with United Nations practice, and the presentation of material therein do not imply the expression of any opinion whatsoever on the part of the International Labour Office concerning the legal status of any country, area or territory or of its authorities, or concerning the delimitation of its frontiers.

The responsibility for opinions expressed in signed articles, studies and other contributions rests solely with their authors, and publication does not constitute an endorsement by the International Labour Office of the opinions expressed in them.

Reference to names of firms and commercial products and processes does not imply their endorsement by the International Labour Office, and any failure to mention a particular firm, commercial product or process is not a sign of disapproval.

Information on ILO publications and digital products can be found at: www.ilo.org/publns.

Produced by the Publications Production Unit (PRODOC) of the ILO.

Graphic and typographic design, layout and composition,
printing, electronic publishing and distribution.

The ILO endeavours to use paper sourced from forests managed
in an environmentally sustainable and socially responsible manner.

Code: JMB-REP

▶ Contents

▶ Chapter 1. Introduction	1
Abstract	1
1.1 Why human-centred HRM?	1
1.1.1 Why the BRICS countries?	2
1.2 Megatrends as the context	2
1.2.1 Artificial intelligence, digital technologies, and innovation	3
1.2.2 Environmental and climate change	5
1.2.3 Demographic shifts	5
1.2.4 Globalization	6
1.3 Focus and structure of the book	8
1.4 The evolution from a traditional HRM approach towards a human-centred one in the BRICS countries	9
1.4.1 Brazil	9
1.4.2 Russian Federation	10
1.4.3 India	10
1.4.4 China	11
1.4.5 South Africa	11
1.5 Summary	12
References	13
▶ Chapter 2. Globalization and economic transformation in Brazil: The role of human capital	17
Abstract	17
2.1 Introduction: Megatrends and the Brazilian economy	18
2.2 The globalization of the Brazilian economy	21

2.3 Wage and employment gains from exports: The role of skills	26
2.4 Government policies to promote skills development	33
2.5 Firm-level HR strategies in Brazil	35
2.6 Conclusions	42
References	44

► **Chapter 3: The effects of megatrends on human resources management in the Russian Federation with reference to the ILO's human-centred agenda** **51**

Abstract	51
3.1 Introduction	51
3.2 Megatrend drivers in the Russian Federation	52
3.2.1 Technological development and digitalization	53
3.2.2 Demographic trends	56
3.2.3 Environmental challenges	57
3.2.4 Globalization effects	60
3.3 The effects of megatrends on HRM practices in the Russian Federation	62
3.3.1 Evolving HRM practices in the Russian Federation	62
3.3.2 Advances in personnel management	64
3.3.3 Creating company-wide integrated HRM systems	69
3.4 Conclusions	70
Appendix 1. Workforce and industry affiliation of Russian companies or MNE subsidiaries referred to in the chapter	72
References	74

► **Chapter 4. Key challenges for management policies and practices: The Indian experience** **81**

Abstract	81
----------	----

4.1 Introduction	82
4.2 The megatrends and India	83
4.2.1 Globalization	83
4.2.2 The demographic dividend	83
4.2.3 A digitalized future	84
4.2.4 Environmental challenges	85
4.3 Impact of the megatrends	87
4.3.1 Economic growth and employment	87
4.3.2 Skill gaps	88
4.3.3 Tackling the challenges	89
4.3.4 Towards human-centred HR policies	92
4.3.5 Narrowing disparities through social responsibility	93
4.3.6 The COVID-19 pandemic and HR challenges	95
4.4 Conclusions	96
References	98

► **Chapter 5. Towards a human-centred business and economic model?
Megatrends and human resources management in China**

107

Abstract	107
5.1 Introduction	108
5.2 External environment for businesses and HRM	109
5.2.1 Demographics and labour force characteristics	109
5.2.2 Labour regulations and the role of key institutional actors	111
5.2.3 Global economic uncertainty	111
5.2.4 Technological developments	115
5.2.5 Environmental concerns	116
5.3 Key HR challenges and opportunities as perceived by businesses	117
5.3.1 The impact of the COVID-19 crisis on businesses	119

5.4 Main characteristics of HRM practices and experiences of successful firms	120
5.4.1 Efficiency as an organizational driver	120
5.4.2 Professionalization of the HR function	121
5.4.3 Effective talent management as a key to business success	122
5.4.4 Digitalization of businesses and its implications for HRM	124
5.4.5 The COVID-19 pandemic, new forms of employment and their implications for HRM	128
5.5 Conclusions	129
References	132

▶ Chapter 6. Human resources management in South Africa: Context, issues and trends **139**

Abstract	139
6.1 Introduction: The South African context	140
6.2 Industrial policy	140
6.3 Demography	141
6.4 Labour force characteristics	142
6.5 Industrialization, innovation and technology	144
6.6 Technology and skills	146
6.7 Globalization	148
6.8 Climate change	148
6.9 The labour relations context	150
6.9.1 Trade unions	152
6.10 Emerging human-centred HRM practices in selected industries	153
6.10.1 Mining	153
6.10.2 Textiles	155
6.10.3 Wine	158

6.10.4 Automotive industry	160
6.10.5 General trends	162
6.11 Conclusions	163
References	165

► **Chapter 7. Conclusion: Lessons learned and ways forward** 173

7.1 What did the project set out to achieve?	173
7.2 What have we learned? Megatrends and HRM in the BRICS countries	174
7.2.1 Increasing role of artificial intelligence and digital technologies	175
7.2.2 Limited impact of environmental challenges on HRM	176
7.2.3 Demographic change and its implications for skills	176
7.2.4 Economic globalization	177
7.2.5 Emerging clusters of excellence	177
7.2.6 Towards human-centred sustainable HRM?	178
7.3 Future research avenues in a post-COVID-19 world of work	180
7.4 Concluding remarks	182
References	183

► **Annex: Biographical information on the contributors** 187

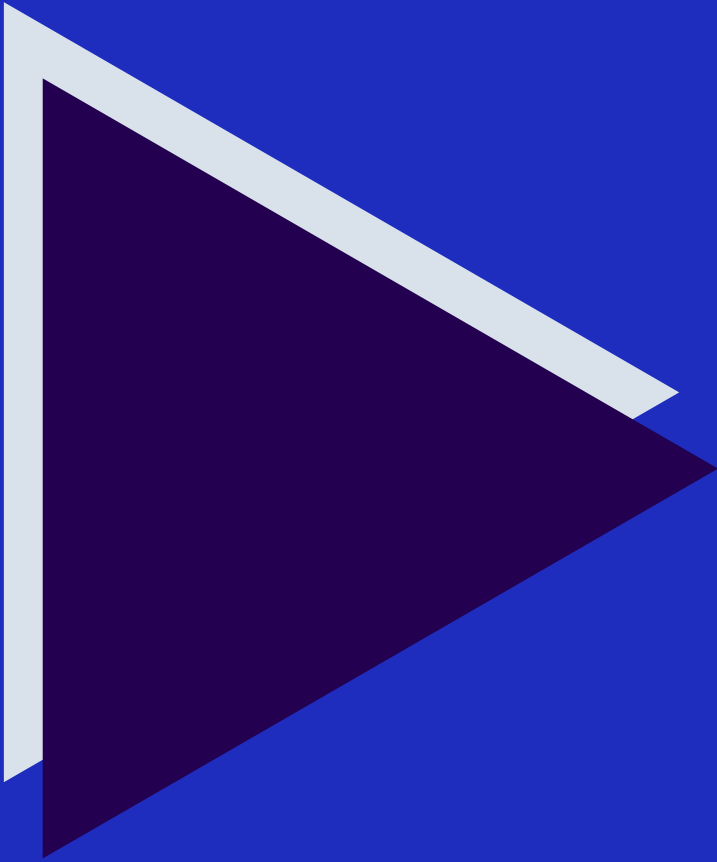
Editors	187
Authors	188

► Figures

► Figure 1.1.	Gross domestic product of G7 and E7 (“Emerging Seven”) countries (US\$)	7
► Figure 2.1.	Brazilian export structure (1999 versus 2019): Panel A. Exports totalling US\$47.9 billion in 1999	24
	Panel B. Exports totalling US\$225 billion in 2019	25
► Figure 5.1.	Top 20 recipients of FDI inflows, 2017 and 2018 (US\$ billion)	113
► Figure 5.2.	Top 20 home economies for FDI outflows, 2017 and 2018 (US\$ billion)	114
► Figure 6.1.	Population of working age (15–64 years) in South Africa by province, population group and sex, first quarter of 2020 (percentage)	143
► Figure 6.2.	Characteristics of the South African labour force by population group, first quarter of 2020 (thousands)	144
► Figure 6.3.	South African gold production, 1980–2015 (tonnes)	145

► Tables

► Table 2.1.	Wage and employment premiums for exporting firms	27
► Table 2.2.	Composition of the labour force (exporters versus non-exporters)	29
► Table 2.3.	Exporter wage premium controlling for plant characteristics	31
► Table 2.4.	Exporter employment premium controlling for plant characteristics	32
► Table 5.1.	Average national wage in selected industrial sectors, 2018 (yuan)	110
► Table 7.1.	Megatrends and their impact on HRM in the BRICS countries	175



Chapter 1

Introduction

Nikolai Rogovsky and Fang Lee Cooke

► Abstract

This publication is a major output of the project “Towards a human-centred business and economic model: Evidence from the BRICS countries”,¹ which was conducted in 2020–21 through a partnership between the ILO Research Department and a number of scholars from leading academic institutions around the world. The project was a joint endeavour by 12 researchers based in all the continents, except Antarctica. It examined novel evidence of human-centred human resources management (HRM) practices in five leading emerging economies, namely Brazil, the Russian Federation, India, China and South Africa (hereafter referred to collectively as the “BRICS countries”). The purpose of the project was to promote a deeper understanding of the relationships between megatrends that shape HRM policies and of their specific implications for the BRICS countries.

1.1 Why human-centred HRM?

The present volume focuses on human-centred HRM as one of the ways of implementing the human-centred agenda for the future of work that the ILO is promoting in a world characterized by a number of megatrends, including key global challenges and shifts. This agenda is aimed at “strengthen[ing] the social contract by placing people and the work they do at the centre of economic and social policy and business practice” (ILO 2019a, 11). It consists of three “pillars of action”, which together are expected to drive growth, equity and sustainability for present and future generations: (a) increasing investment in people’s capabilities; (b) increasing investment in the institutions of work; and (c) increasing investment in decent and sustainable work (ILO 2019a, 11–13).

¹ BRICS = Brazil, Russian Federation, India, China, South Africa.

The ILO recognizes that successful implementation of this human-centred agenda very much depends on the cooperation of the private sector, given its enormous economic and political influence. Accordingly, the ILO Centenary Declaration for the Future of Work, adopted in June 2019, emphasized the necessity of “supporting the role of the private sector as a principal source of economic growth and job creation by promoting an enabling environment for entrepreneurship and sustainable enterprises ... in order to generate decent work, productive employment and improved living standards for all” (ILO 2019b, Part II(A)(ix)). Similarly, the *Work for a Brighter Future* report by the Global Commission on the Future of Work acknowledged that “[t]he private sector has a critical role in realizing this [the human-centred] agenda to the full” (ILO 2019a, 49).

However, it is important to note that not all the approaches used by firms to enhance their competitiveness fall within the category of human-centred management policies and practices – especially in emerging economies, where labour standards tend to be enforced on a pragmatic basis and workers are often not as well organized and represented as they should be. More research is therefore required to understand the management strategies adopted by businesses and how these may impinge on their role in promoting the human-centred agenda advocated by the ILO.

1.1.1 Why the BRICS countries?

We have focused on the BRICS countries for several reasons:

1. They are the largest emerging economies, and given their very fast growth it is likely that quite soon they will define vast swathes of the global economic landscape.
2. At the same time, the English-speaking international research community is not necessarily very familiar with good (or bad) HRM policies and practices in these countries. In particular, many valuable studies published in Portuguese, Russian and Chinese that describe practices in, respectively, Brazil, the Russian Federation and China have not reached an international audience, particularly in the Western world. As a result, the existing literature lags behind the latest practical developments in these economies.
3. Finally, our focus on the BRICS countries could serve as a springboard and prompt similar research efforts covering other developing countries, including some of the least developed countries.

1.2 Megatrends as the context

This book seeks to help advance the above-mentioned ILO agenda by fostering discussion among academics, practitioners and policymakers on HRM policies that are relevant to establishing a human-centred world of work in the context of megatrends. The most commonly studied of these are artificial intelligence, digital technologies and innovation; environmental and climate change; demographic shifts; and globalization. Such mega-

trends inform policy debates, influence corporate thinking and action, and shape the world of work in modern society. They therefore constitute the backdrop against which the opportunities and challenges involved in applying human-centred HRM practices in the BRICS countries are examined here. In addition, this book addresses other global, regional and country-specific trends that affect corporate strategy, including responses to the COVID-19 pandemic.

According to PricewaterhouseCoopers, megatrends may be defined as “macroeconomic and geostrategic forces that are shaping the world” (PwC 2016, 1). In recent years, a number of international organizations and leading consultancy firms have drawn attention to the impact of megatrends on the future of the economy and society (see, among others, Deloitte 2017; ILO 2019a, 2019b; PwC 2016). For example, PwC (2016) lists five megatrends with implications for management teams and other stakeholders, namely: a shift in global economic power, demographic shifts, accelerating urbanization, the rise of technology, and climate change and resource scarcity. The ILO and the International Organisation of Employers have similarly identified five global trends that are having an impact on the way that businesses across the world operate: technological innovation, global economic integration, demographic and generational shifts, climate change and sustainability, and global skill shortages (ILO and IOE 2019, xiii). The concept of megatrends is not new; it has often been referred to under different labels in the past (PwC 2016, 1). What is important is the momentum in the evolution of some of the megatrends mentioned above and the dynamics created by their interaction: these present serious challenges have profound implications for HRM research and practice.

1.2.1 Artificial intelligence, digital technologies, and innovation

According to the McKinsey Global Institute, by 2030, from 75 to 375 million workers (3 to 14 per cent of the global workforce) will need to look for new occupations as digitalization, automation and advances in artificial intelligence shake up the world of work (MGI 2017, 1). The kinds of skills required by companies will change, with considerable implications for the career paths that are open to individuals.

The scope of this challenge is enormous, but growing awareness of it has so far not translated into an adequate practical response from either policymakers or corporate senior managers. Public spending on labour force training and support has been falling for many years in most member countries of the Organisation for Economic Co-operation and Development (OECD) (MGI 2017, 18). At the same time, corporate training and development budgets are not expanding. Of course, these budgets have always been at high risk during cost-cutting exercises because of their “ill-defined” business value, but present-day realities suggest that this attitude will have to change.

In November 2017, the McKinsey Global Institute conducted a survey of around 300 executives at companies with more than US\$100 million in annual revenue, which revealed that corporate executives increasingly see investing in the retraining of exist-

ing workers as an urgent business priority, many of them agreeing that it is “an issue where corporations, not governments, must take the lead” (MGI 2018, 2). Among the executives polled, 66 per cent regarded the tackling of potential skills gaps related to automation and/or digitalization within their workforces as at least a top ten priority, while for nearly 30 per cent it was in the top five priorities (MGI 2018, 2). Some 62 per cent of respondents believed that they would have to retrain or replace more than a quarter of their workforce by 2023 as a result of growing automation and digitalization. However, only 16 per cent felt “very prepared” to address challenges such as a lack of understanding of how exactly technological change would affect future skills needs and the widely perceived necessity of upgrading corporate human resources (HR) policies and practices (MGI 2018, 4). At the same time, corporate executives clearly understand that as digitalization, automation and artificial intelligence reshape whole industries and individual businesses, “the only way to realize the potential productivity dividends from that investment will be to have the people and processes in place to capture it.” For that reason, a significant majority of respondents (64 per cent) stated that the main motivation for them to invest in retraining was “to increase employee productivity” (MGI 2018, 5).

The skills-related effects of this megatrend can be both positive and negative. Although automation and digitalization often support upskilling by allowing workers to expand their knowledge, in some cases they can lead to a reduction in employee knowledge and thereby to deskilling. For example, a recent study (Bravo 2015) of a sample of Peruvian professionals analysed the effect of automation on employee knowledge to determine the presence of deskilling (that is, whether knowledge of the task decreases), upskilling (that is, whether knowledge of the information system used for automation increases) or reskilling. The findings clearly point to a predominance of reskilling: a simultaneous effect of reducing knowledge of the task and increasing knowledge of the information system.

Examining the implications of artificial intelligence for corporate HRM, Tambe, Cappelli and Yakubovich (2019) noted “a substantial gap between the promise and reality of artificial intelligence” in that area. They identified four major challenges in using data science techniques as part of HRM: the complexity of HR phenomena; the limitations of small data sets; accountability issues associated with fairness and other ethical and legal constraints; and potentially negative employee reactions to managerial decisions taken using data-based algorithms. At the same time, there is growing concern over the use of artificial intelligence algorithms for recruitment (Cappelli 2019). Such algorithms are often too expensive and discriminatory, and they could easily end up excluding the best candidates. In principle, these technology-related trends affect many HR subfunctions, but their impact is greatest on recruitment and selection, training and development, and work organization.

An important trend that has accelerated as a result of the COVID-19 pandemic is the digitalization of the global industrial chain and other business practices, including teleworking. Digital technology is transforming the nature of the global industrial chain. Among other phenomena, industrial robots, smart manufacturing, e-commerce, the online delivery of financial services, education, entertainment and medical care, the online conduct

of exhibitions and research and development (R&D), and contactless distribution have increased the speed and expanded the forms of international and domestic business, and made services and goods more accessible and globally integrated. All these developments present considerable opportunities as well as challenges in relation to HRM. While firms are enthusiastically embracing artificial intelligence and digital technology in a number of their business areas, their understanding of how such innovations affect the workforce often lags behind or is not viewed as a priority.

1.2.2 Environmental and climate change

Climate change and environmental degradation have emerged in recent decades as two major global challenges and, together, they constitute a further megatrend with serious implications for management policies and practices. Companies have been seen as part of the problem as well as part of the solution to these challenges (Villo, Halme and Ritvala 2020). However, Jackson, Kim and Schuler (2018), in their review of current issues faced by HR professionals in North America, were “surprised by the absence of attention paid to the ... long-term implications of climate change and environmental degradation”, despite the growing body of evidence suggesting that improving their environmental performance can be profitable for businesses. Opportunities for companies to become engaged in this respect are to be found in such areas as recruitment and selection (job-seekers are increasingly paying attention to the environmental reputation of potential employers), training (improving employee awareness of the company’s environmental goals), performance management (capturing various aspects of environmental activity) and compensation (offering monetary bonuses and other incentives for achieving environmental goals). These issues are covered at length in several studies (see, for example, Jackson 2012a, 2012b, 2012c; Stringer 2009; Jabbour, Santos and Nagano 2010).

1.2.3 Demographic shifts

Demographic shifts are another megatrend that will have major implications for societies and companies – in the case of the latter, not only when it comes to managing their workforces but also in terms of their client bases. Demographic change occurs in several ways (see, for instance, ILO 2016; UN 2015). One is population ageing, and therefore also workforce ageing, in an increasing number of countries such as Germany, Japan and, to a lesser extent, China. Older workers need to be reskilled and upskilled so that they can keep up with technological change and new production or service needs. This trend is concurrent with a growing youth population in several African developing countries and in Brazil, India and Viet Nam, among others (UN 2015).

In emerging economies, the development of human capital has not been able to match the pace of economic development. Talent migration from African and South Asian countries to Europe and the Middle East, and from South East Asia and Pacific Island countries to Australia and New Zealand, for example, has exacerbated the skills bottleneck in the

countries of origin (Tarique 2021). Meanwhile, migration between and within developing countries has been a key catalyst of labour mobility, and more and more firms, including multinational enterprises (MNEs), have been relying on migrant workers to fill their skilled and semi-skilled positions. Migrant workers – some of whom are undocumented, such as those found in South Africa – often enjoy fewer employee rights and face less favourable terms and conditions of employment, which raises questions of fairness and equality. Such inequality undermines the development opportunities of these workers as businesses around the world are confronted with a shortage of skilled labour (ILO and IOE 2019).

At the same time, gender inequality remains a persistent challenge, as highlighted by the chapter on India in this volume (Chapter 4). It is estimated that 865 million women worldwide have the potential to contribute to the global economy and national development (ILO and IOE 2019, 34). There is growing evidence of a real expansion in female employment. This trend may primarily be observed in developing countries, where women's participation in education is on the rise and progress is being made on gender equality. Yet, gender disparities “remain among the most persistent forms of inequality across all countries”, as pointed out in a recent report by the United Nations Development Programme (UNDP 2019, 147). Companies should review their HR policies and practices – such as recruitment and selection, work organization and working time, training and development – to address the needs of both female and male employees, as this will enable them to make better use of the available human capital as well as being in line with the moral imperative of advancing gender equality.

In sum, demographic change and the global mobility of human capital confront companies with opportunities as well as challenges in terms of managing workforce diversity. These trends have implications related to age, gender, culture, ethnicity, migration status and language.

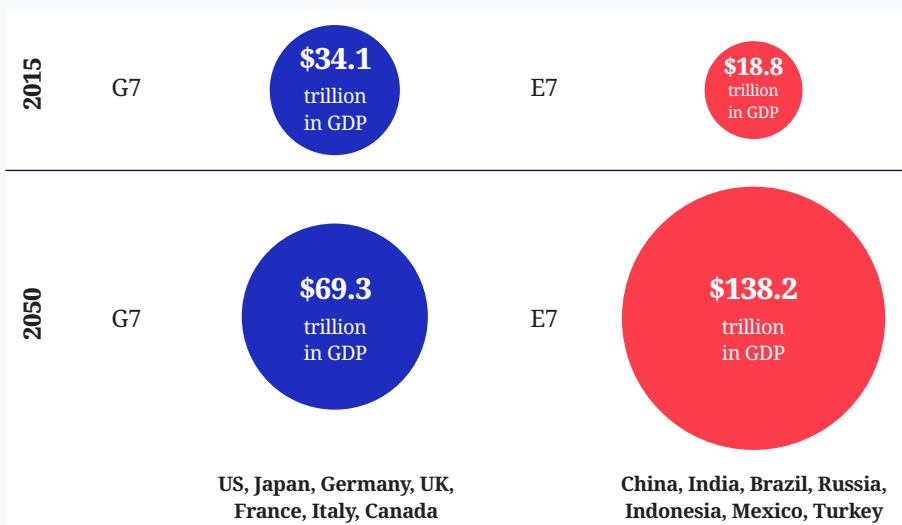
1.2.4 Globalization

Economic globalization has been a key feature of the past few decades as national economies have become increasingly intertwined with one another through embedded global supply chains. Its consequences have long been debated. However, recent economic and political developments have challenged many of the “conventional” assumptions that seemed to have crystallized into a consensus of sorts in the literature. Two distinct trends are worth noting here. The first is the shift in the centre of gravity from Western economies to emerging ones. As figure 1.1 shows, the aggregate gross domestic product (GDP) of the G7 countries was US\$34.1 trillion in 2015, whereas that of the E7 (“Emerging Seven”) countries was US\$18.8 trillion. It is estimated that by 2050 the total GDP of the G7 will be US\$69.3 trillion, compared with US\$138.2 trillion for the E7 (PwC 2016, 4). Western countries will therefore no longer be at the centre of economic globalization (Ghauri, Strange and Cooke 2021).

In addition, there is the growing economic and political importance of the non-OECD countries, whose companies – particularly MNEs – have not traditionally been in the focus of discussions on globalization. For example, MNEs from the BRICS countries, notably China, India and the Russian Federation, have experienced significant international economic expansion. However, there has been only limited research into enabling environments for the MNEs from these countries and even less so into the labour dimension of their international supply chains (Cooke, Wang and Wang 2018).

A second distinct trend is the emerging, yet rather strong forces of de-globalization and the relocation of foreign direct investment and production activities from one region to another, or within the same region, as MNEs seek to de-risk themselves from over-dependence on specific countries and regions. For example, initial factory closures undertaken in China between late January and March 2020 to prevent the COVID-19 virus from spreading resulted in a global shortage of raw materials, parts and equipment. This had a domino effect on major economies, such as the United States of America, Japan, the Republic of Korea and some European countries (Ghauri, Strange and Cooke 2021). Some companies in the automotive industry temporarily suspended production outside China because of the shortage of parts from that country. In China, when factories resumed production, many export-oriented companies found themselves having to lay off workers

► **Figure 1.1. Gross domestic product of G7 and E7 (“Emerging Seven”) countries (US\$)**



► Source: PwC (2016, 4)

a few weeks after reopening owing to the cancellation of overseas orders (Cooke 2020). In Myanmar, a large number of garment factories had to shut down in February and March 2020 (before COVID-19 hit the country) because of the delay in shipments of raw materials from China. This left thousands of workers unemployed, the vast majority of whom had hardly any social security protection. Some governments have also seized the opportunity to encourage their MNEs to relocate their business (or areas thereof) back to the home country or to relocate their plants from China to other developing Asian countries as part of a de-risking strategy. However, according to Goldthau and Hughes (2020, 28), government incentives offered through economic stimulus packages and aimed at bringing home or “reshoring” manufacturing will backfire because “[n]etworks of cross-border trade and investment keep costs down and encourage learning and innovation”. Even so, antiglobalization trends seem to continue to be in the ascendant, with the positive impact of globalization being questioned by both the political left and the political right.

1.3 Focus and structure of the book

In this publication, we focus on the BRICS countries and their companies – mainly private firms and foreign MNEs operating in these countries – in view of their growing economic importance in today’s world and, at the same time, in response to the rather limited evidence-based research on HRM in these countries. It is argued that country-specific patterns of megatrends that influence business decisions can be identified, and that these patterns impinge both on national policy debates and on the ways in which companies react to these challenges, particularly in the HRM space, including HR strategies, policies and practices. Our analysis is guided by the following broad research questions:

1. How do megatrends affect corporate thinking and action, particularly HRM, in the companies operating in various countries?
2. How are megatrends affecting companies differently in different countries?
3. How do these megatrends in different countries affect key HR subfunctions such as recruitment and selection, training and development, staff retention, compensation and benefits, work organization and performance management?
4. What is the role of governments and social partners in helping businesses to identify and address key challenges and in disseminating good HRM policies and practices from national “clusters of excellence” to more traditional sectors and enterprises?

The primary objective is to identify key challenges and good practices across a number of industries in the BRICS countries within the broader context of the megatrends discussed above. To obtain findings that are focused, representative and comparable, each country chapter looks at just a few industries, namely those that best reflect changes in the economic structure, demographics and level of human capital; technological developments; and the role of key institutional actors in shaping HR policy and practice. The findings

presented in these chapters are expected to contribute to the policy debate on the role of the private sector in a world of rapid change characterized by major technological, social and economic challenges.

The five country chapters draw on the rich research experience of the contributors, who are diverse not only in terms of geographical location, but also in their academic fields. The latter include economics, business strategy, political science, cross-cultural management and, of course, HRM and labour relations. Consequently, although all the country studies address the same research questions, each one brings something unique to the overall picture. For example, the Brazilian study focuses largely on globalization and provides an in-depth macroeconomic analysis, shedding light on the forms of human capital development that are most needed for the country to be able to compete internationally. The Russian study adds historical and cultural dimensions to the discussion of current HRM policies and practices. The Indian study has an important focus on skills, while highlighting inequality issues as one of the stumbling blocks to a human-centred approach to HRM. The Chinese study reveals the role of digital technology and managerial pragmatism in shaping the country's HRM practices and seeks to contribute to an emerging human-centred agenda there. In contrast, the South African study contains an extensive discussion of the labour relations context, the legacy of which continues to present considerable challenges for companies seeking to move towards a more flexible business model and HRM practices. We hope that this diversity will help to make our book appealing for a broad audience.

1.4 The evolution from a traditional HRM approach towards a human-centred one in the BRICS countries

This volume contains five main chapters (Chapters 2–6), each focusing on one of the BRICS countries. Every country chapter first provides an overview of the key trends identified in the country in question, and then looks at the key components of the external environment for HRM, including politics, legislation, regulations, the economy, social values, technology and ecology. Finally, examples are presented of how companies are addressing global challenges by adjusting their HRM policies and practices.

1.4.1 Brazil

This chapter discusses the challenges and opportunities faced by Brazilian firms seeking to increase their presence in international markets and the role that skilled labour plays in this process. The first hypothesis tested by the authors is that globalization presents both risks and opportunities for a developing country like Brazil. On the one hand, access to new markets for exporting firms in middle- and lower-high-income countries can potentially create employment opportunities and drive wages up. Using firm-level data, the authors show that exporting firms in Brazil pay higher salaries (70 per cent higher on average) and hire more workers (141 per cent more on average) than non-exporting

firms. On the other hand, import-competing sectors are subject to stronger competition from abroad, which can destroy jobs and drive wages down. Moreover, the process of internationalization in Brazil has fostered a “re-primarization” of exports, which may militate against a more inclusive and sustainable development model. The second hypothesis is that countries like Brazil do not have a large pool of inexpensive labour and are therefore not competitive in the unskilled labour-intensive stages of global value chains. Still, differentiated and high-value-added exports can also be achieved by domestic firms operating in countries that do not offer labour cost advantages. However, the production of high-value-added export-oriented goods calls for skilled labour, sophisticated machines and high-quality inputs. This is because such exports generally require an upgrading of product quality and improvements in business operations. The authors explore these relationships on the basis of firm-level survey data, establishing links between export markets and firm/industry attributes. Finally, they review the challenges faced by firms when it comes to integrating and developing skilled labour, and consider how government policies and business strategies could tackle these.

1.4.2 Russian Federation

This chapter examines the effects of megatrends on HRM practices in the specific Russian economic, political, cultural, historical and social context. It emphasizes the external pressures on corporate HRM practices stemming from the radical institutional changes of the post-Communist era, the ongoing demographic crisis, the COVID-19 pandemic, environmental issues, the shift to economic nationalism, and cross-cultural frictions when importing managerial know-how. The authors identify a cluster of companies in the Russian Federation that follow a human-centred agenda, and explore their best practices for recruitment, selection, training and development, work organization and motivation, together with their efforts to integrate HRM into enterprise systems in response to the opportunities and threats created by megatrends. The authors argue that companies with such an approach can serve as role models for the majority of Russian businesses and for those in other BRICS countries.

1.4.3 India

This chapter considers how and why a development strategy in favour of liberalization emerged in India in the 1980s with a view to improving the living standards of the country's poor. In later years it was assumed by policymakers that higher growth rates were inevitable, given the favourable demographic transition. Of course, this depended on the country's workers being equipped with skills and job opportunities that would enable them to be productive. However, there currently exists a paradoxical situation in India whereby the number of educated unemployed seems to keep increasing, while many workers lack the level of education and skills required by employers. To overcome this situation, organizations are retraining existing employees, hiring new staff with the necessary skills and adopting human capital management strategies to retain newly

recruited employees. The central Government has also intervened through the National Skill Development Corporation. Additionally, by way of promoting a human-centred business agenda, the Government has amended the Companies Act 2013 to require large Indian companies to annually spend 2 per cent of their net profits on corporate social responsibility activities. More recently, the COVID-19 pandemic has prompted the Government to intervene once again through advisories requiring private and public enterprises to retain employees and continue to pay them full wages. However, some private sector employers have challenged the constitutional validity of these orders and have even demanded the suspension of labour laws. This demand for flexibility is already a common feature among new urban occupations and seems to be amplified by digitalization. While the path to human-centred business is unclear, there are distinct benefits to be gained from employing women and providing all workers with adequate regulatory protection and security.

1.4.4 China

This chapter outlines some of the developments in business models at the industry and firm level with reference to the broad economic context in China and related challenges. It also explores the State's indirect role in training and development and other HR subfunctions, which is exercised through a networked approach powered by artificial intelligence, data analytics and digital technology. Certain aspects of HRM are increasingly becoming an integral part of municipal governance, though this process is still in its infancy. The chapter illustrates how a systematic transformation of HRM is possible, in this case driven by the evolution of the State's governance ideology and aided by digital technology. This has led to improved HRM outcomes in China, and even if these have been relatively modest so far, they nevertheless contribute to implementation of the human-centred agenda for the future of work promoted by the ILO. The author argues that the State, trade unions, educational institutions, business and technology all play critical roles in advancing such an agenda in China. This study also highlights the need to contextualize the concept of a "human-centred" approach to HRM and to understand what it means for a country like China, and indeed other emerging economies, where material rewards remain key in motivating and retaining younger workers. In other words, a human-centred approach to HRM needs to balance intrinsic incentives with pecuniary ones.

1.4.5 South Africa

This chapter emphasizes the contraction of South Africa's formal employment base and the ensuing reduction of the space within which HRM can be practised. Moreover, although many countries are experiencing a skills crisis, the persistence of racial inequality in the South African education system has compelled firms to develop their HR capacities from within, rather than relying on the external labour market. This process has been facilitated to some extent by low job turnover, a consequence of very high

unemployment. There are some notable success stories among exporting firms. In the motor industry, success has been closely linked to effective HRM, which has enabled the development of highly cooperative production paradigms based on teamwork and joint problem-solving. The same is true of high-value-added pockets of activity in the clothing and textiles industry. Such a phenomenon may be observed in many emerging markets: small areas of specialized production have been highly successful, but it has been difficult to disseminate their good practices more widely because of strong global pressures to deregulate and the opposition of international financial actors to active industrial policies. Other major export successes in South Africa, such as the wine industry, present a much more complex picture, some of the most thriving firms being criticized for poor labour conditions. Meanwhile, many small businesses have chosen to partially disengage from the collective bargaining system, given that it is widely perceived to be unresponsive to their needs and that trade unions are somewhat unrealistic in the demands they make of employers with limited resources. Global pressures are to a great extent responsible for the fragmentation of HR practices in South Africa, leading to the coexistence of firms with labour-repressive approaches and those with human-centred ones. Indeed, in some areas, there is a symbiosis between the two types – for example, in clothing and textiles, where higher-value-added end producers may sometimes rely on low-cost supplies from dubious sources. The current regulatory system is only partially functional and there is a clear need to develop labour market institutions so as to support smaller firms and peripheral workers. The recent COVID-19 pandemic has revealed that national governments have a much wider range of policy instruments at their disposal than previously assumed. More specifically, it has drawn attention to proposals for the introduction of a basic income grant and to the way in which such a measure could help to subsidize marginal employers and their workers, creating space for the development of more inclusive HR policies. This chapter begins with a brief overview of industrial policy, demographic and labour force characteristics, industrialization, innovation, technology and skills, globalization and climate change in the South African context. It then discusses emerging human-centred HRM practices in selected industries and the challenges faced by companies seeking to adopt such an approach.

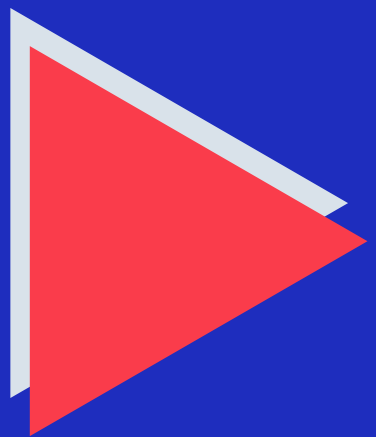
1.5 Summary

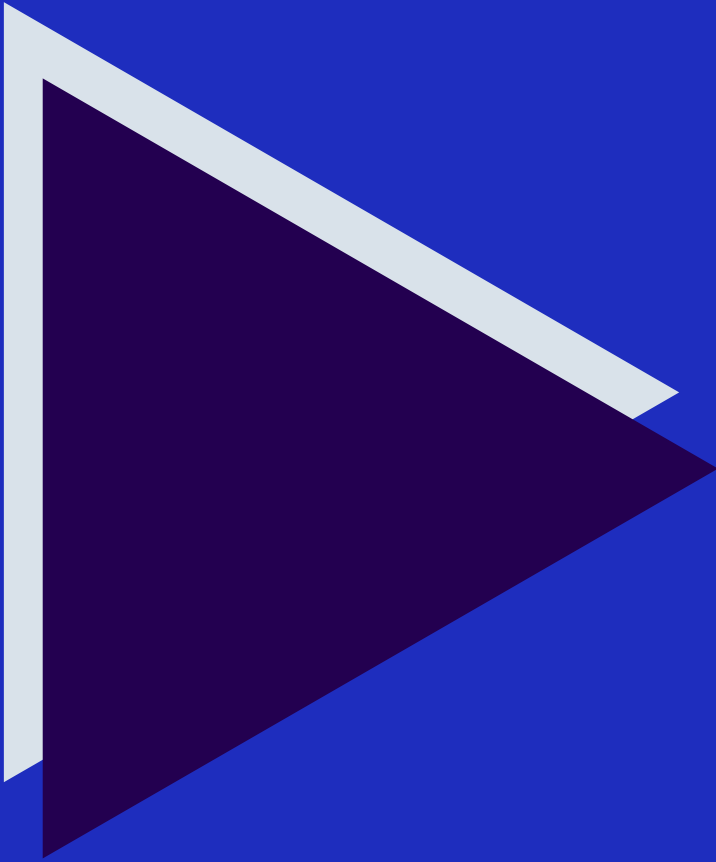
This book provides an informed discussion of the extent to which megatrends are affecting the BRICS countries and how key stakeholders such as governments and businesses are responding to them. It examines the role of national and subnational governments and of social partners in helping businesses to identify and tackle key challenges. It also considers differences in key megatrends by sector, both within and across national borders. Examples of new approaches to, and good practices in, HRM are presented for potentially wider dissemination with a view to promoting more human-centred work environments and outcomes.

► References

- Bravo, Edgardo. 2015. “Deskilling, Up-skilling or Reskilling? The Effects of Automation in Information Systems Context”. Paper presented at the 21st Americas Conference on Information Systems, Fajardo, Puerto Rico, 13–15 August 2015.
- Cappelli, Peter. 2019. “Your Approach to Hiring Is All Wrong”. *Harvard Business Review* (May–June 2019): 48–58.
- Cooke, Fang Lee. 2020. “COVID-19 and Impact on Employment in Developing Countries in Asia”, CDES Policy Brief No. 05/20. Centre for Development Economics and Sustainability (CDES), Monash University.
- Cooke, Fang Lee, Dan Wang, and Jue Wang. 2018. “State Capitalism in Construction: Staffing Practices and Labour Relations of Chinese Construction Firms in Africa”. *Journal of Industrial Relations* 60 (1): 77–100.
- Deloitte. 2017. *Beyond the Noise: The Megatrends of Tomorrow’s World*.
- Ghauri, Pervez, Roger Strange, and Fang Lee Cooke. 2021. “Research on International Business: The New Realities”. *International Business Review* 30 (2).
- Goldthau, Andreas, and Llewelyn Hughes. 2020. “Protect Global Supply Chains for Low-Carbon Technologies”. *Nature* 585: 28–30.
- ILO. 2016. “The Future of Labour Supply: Demographics, Migration, Unpaid Work”, ILO Future of Work Centenary Initiative – Issue Note No. 2.
- . 2019a. *Work for a Brighter Future: Global Commission on the Future of Work*.
- . 2019b. *ILO Centenary Declaration for the Future of Work*. International Labour Conference. 108th Session.
- ILO and IOE (International Organisation of Employers). 2019. *Changing Business and Opportunities for Employer and Business Organizations*.
- Jabbour, Charbel José Chiappetta, Fernando César Almada Santos, and Marcelo Seido Nagano. 2010. “Contributions of HRM throughout the Stages of Environmental Management: Methodological Triangulation Applied to Companies in Brazil”. *International Journal of Human Resource Management* 21 (7): 1049–1089.
- Jackson, Susan E. 2012a. “Building Empirical Foundations to Inform the Future Practice of Environmental Sustainability”. In *Managing Human Resources for Environmental Sustainability*, edited by Susan E. Jackson, Deniz S. Ones and Stephan Dilchert, 416–432. San Francisco: Jossey-Bass.

- . 2012b. “Melding Industrial–Organizational Scholarship and Practice for Environmental Sustainability”. *Industrial and Organizational Psychology* 5 (4): 477–480.
- . 2012c. “Portrait of a Slow Revolution toward Environmental Sustainability”. In *Managing Human Resources for Environmental Sustainability*, edited by Susan E. Jackson, Deniz S. Ones and Stephan Dilchert, 3–20. San Francisco: Jossey-Bass.
- Jackson, Susan E., Andrea Kim, and Randall S. Schuler. 2018. “HRM Practice and Scholarship in North America”. In *Handbook of Research on Comparative Human Resource Management*, 2nd ed., edited by Chris Brewster, Wolfgang Mayrhofer and Elaine Farndale, 373–392. Cheltenham: Edward Elgar.
- MGI (McKinsey Global Institute). 2017. *Jobs Lost, Jobs Gained: Workforce Transitions in a Time of Automation*.
- . 2018. “Retraining and Reskilling Workers in the Age of Automation”.
- PwC (PricewaterhouseCoopers). 2016. *Five Megatrends and Their Implications for Global Defence and Security*.
- Stringer, Leigh. 2009. *The Green Workplace: Sustainable Strategies that Benefit Employees, the Environment, and the Bottom Line*. New York: Palgrave Macmillan.
- Tambe, Prasanna, Peter Cappelli, and Valery Yakubovich. 2019. “Artificial Intelligence in Human Resources Management: Challenges and a Path Forward”. *California Management Review* 61 (4): 15–42.
- Tarique, Ibraiz, ed. 2021. *The Routledge Companion to Talent Management*. London: Routledge.
- UN (United Nations). 2015. *World Population Ageing 2015*.
- UNDP (United Nations Development Programme). 2019. *Human Development Report 2019: Beyond Income, Beyond Averages, Beyond Today – Inequalities in Human Development in the 21st Century*.
- Villo, Sofia, Minna Halme, and Tiina Ritvala. 2020. “Theorizing MNE–NGO Conflicts in State-Capitalist Contexts: Insights from the Greenpeace, Gazprom and the Russian State Dispute in the Arctic”. *Journal of World Business* 55 (3).





Chapter 2

Globalization and economic transformation in Brazil: The role of human capital

Nicolas Depetris Chauvin (*Geneva School of Business Administration, University of Applied Sciences Western Switzerland*)

Roberto Córdón (*Franklin University Switzerland*)

Cristine Campos de Xavier Pinto (*FGV Sao São Paulo School of Economics*)

Vladimir Ponczek (*FGV São Paulo School of Economics*)

► Abstract

This chapter discusses the challenges and opportunities faced by Brazilian firms seeking to increase their presence in international markets and the role that skilled labour plays in this process. On the one hand, access to new markets for exporting firms in upper-middle-income countries like Brazil can potentially create employment opportunities and drive wages up. Using firm-level data, we show that exporting firms in Brazil pay higher salaries and hire more workers than non-exporting ones. On the other hand, import-competing sectors are subject to stronger competition from abroad, which can destroy jobs and drive wages down. Moreover, the process of internationalization in Brazil has fostered a “re-primarization” of exports, which may militate against a more inclusive and sustainable development model. Countries like Brazil do not have a large pool of inexpensive labour and are therefore not competitive in the unskilled labour-intensive stages of global value chains. Yet, differentiated and high-value-added exports could also be achieved by Brazilian domestic firms without relying on labour cost advantages. However, the production of high-value-added, export-oriented goods calls for skilled labour, sophisticated machines and high-quality inputs. This is because such exports generally require an upgrading of product quality and improvements in

business operations. We explore these relationships on the basis of firm-level survey data, establishing links between export markets and firm/industry attributes. Finally, we review the challenges faced by firms when it comes to integrating and developing skilled labour, and consider how government policies and business strategies could tackle these.

We should like to thank Nikolai Rogovsky, Fang Lee Cooke and two anonymous reviewers for their helpful comments. Liz Menezes Pereira dos Santos (Franklin University Switzerland) provided excellent research assistance. Any errors are our own. The views expressed here are the authors' and do not necessarily reflect those of the ILO. Professors Córdón and Depetris Chauvin acknowledge financial support from the ILO. The work of Depetris Chauvin, Pinto and Ponczek was supported by a grant from the Swiss Programme for Research on Global Issues for Development under the thematic research module "Employment in the context of sustainable development" and the research project "Trade and labor market outcomes in developing countries".

2.1 Introduction: Megatrends and the Brazilian economy

The key megatrends shaping the world economy – digital transformation and innovation; climate change and the pursuit of environmental sustainability; demographic shifts; and globalization – are also present in Brazil, giving rise to both challenges and opportunities for its people, enterprises and Government.

Breakthroughs in artificial intelligence, nanotechnology and other frontiers of research are increasing productive potential and creating whole new industries (ILO 2019). Brazil has made significant progress in improving internet access, digital security and regulation. According to a recent study (OECD 2020), subscriptions to communications services have steadily increased, mobile telephone subscriptions in particular having more than tripled between 2012 and 2019. The share of households with internet access rose from 40 per cent in 2013 to 67 per cent in 2018, and the share of adults using the internet from 50 to 72 per cent over the same period. New laws have strengthened digital security and the protection of consumer and personal data. However, the same study finds that challenges remain, since nearly a quarter of Brazilian adults have never used the internet and there is a persistent digital divide between population groups with different levels of education, income and age, and between urban and rural households.

Brazil, a country of continental proportions with large reserves of biodiversity and an extensive hydrologic system, has a complex environmental "architecture" that is facing unique challenges. The country has achieved impressive environmental and sustainability successes in the past. For example, Brazil boasts a low-carbon energy mix, based on hydropower and biofuels: nearly 40 per cent of its energy needs and about 80 per cent of its electricity are generated from renewable sources. However, economic growth has placed great demands on land, water, materials and energy and has resulted in increased pollution and waste generation. The Amazon, Cerrado and Atlantic forests are all under enormous pressure from agricultural expansion to feed the world's demand for soya and

other crops. Emerging interest in the “blue economy”¹ and continuous expansion in the mining sector may bring new challenges. Water provision in big cities, such as São Paulo, is becoming increasingly problematic. Achieving sustainable development in a context of poverty, inequality and strong lobbying by economic groups is not easy. While the environmental movement has expanded in Brazil in recent years, environmental issues are rarely at the top of the list of concerns for the electorate (Bartilotti Picanço, Prado and Allen 2018), which tends instead to prioritize social programmes, anti-corruption efforts and stabilization of the economy. The integration of environmental, social and economic objectives has been piecemeal, and the country would very much benefit from the formulation of a coherent strategy for achieving a green economy and sustainable development.

Brazil has a large population and it is experiencing a very rapid demographic transition because fertility and mortality rates have significantly decreased over the past few decades. The economy is still enjoying a “demographic bonus”, with the share of working-age people in the population growing faster than the increase in dependency rates. However, this “dividend” is coming to an end, in that persons aged 65 years and older are expected to account for 19 per cent of Brazil’s total population by 2050 (up from 5.5 per cent in 2000). Demographic change is likely to affect the country’s growth performance over time, since changes in the population structure imply in turn changes in consumption and savings decisions, in labour supply and productivity and in public investment, given that health and pension system expenditures are set to increase. Brazil will need to adopt policies to deal with the challenges created by demographic transition in a context of great disparities between its regions.

This chapter focuses on the fourth of the megatrends mentioned in the opening paragraph, namely on globalization. Brazil, a traditionally inward-looking country, experienced strong economic growth for two decades (1994–2013) but since then the economy has stagnated. During the growth period, the economy became more open and some Brazilian firms successfully integrated into global value chains. However, by most indicators the country remains relatively closed. In 2019, Brazil was the world’s eighth-largest economy by GDP but it was only the 26th-largest exporter.

Globalization presents both risks and opportunities for upper-middle-income countries like Brazil. On the one hand, access to new markets for exporting firms in middle- and lower-high-income countries can potentially create employment opportunities and drive wages up. Imports offer local firms an opportunity to access better inputs and technology, helping to close the productivity gap observed in most developing countries. On the other hand, import-competing sectors are subject to stronger competition from abroad, which can destroy jobs and drive wages down. Trade can increase unemployment, poverty and income inequality in the short and medium term, thereby becoming unsustainable

¹ This refers to the sustainable use of ocean resources for economic growth, improved livelihoods and job creation while preserving the health of the marine ecosystem.

socially, economically and politically. This suggests that the relationship between international trade and labour market outcomes is complex, and that there are important complementarities between trade, labour market policies and business strategies.

Another important point is that countries like Brazil do not have a large pool of inexpensive labour and are therefore not competitive in the unskilled labour-intensive stages of global value chains. Nevertheless, differentiated and high-value-added exports can also be achieved by domestic firms operating in countries that do not offer labour cost advantages. Innovation in products and processes, spurred by consistent investments and research efforts, can contribute significantly to the upgrading of product quality and the emergence of new producers in the international market for higher-value-added products. These activities are characterized by the intensive use of skilled labour, highlighting the need to increase investment in people's capabilities as called for by the ILO's human-centred agenda for the future of work (ILO 2019).

During the two decades of continuous economic expansion, shortages in skilled labour were one of the main barriers to further growth. Some Brazilian firms even offered special expatriate packages to attract international talent. The increasing demand for a skilled labour force was not only due to the participation of local firms in international export markets but also because of increasing local demand for higher-quality goods and services. This greater demand in turn reflected the expansion of the middle class, one of the consequences of two decades of growth and income distribution policies.

The objective of this chapter is to discuss the challenges and opportunities faced by Brazilian firms seeking to increase their presence in international markets and how this ties in with the demand for skilled labour. The transformation of the Brazilian economy is reviewed, as are its implications for labour markets. We examine how contracting and expanding sectors have affected the demand for different sets of skills and how government policies and business strategies have reacted to the shortages observed. The chapter provides three different and complementary levels of analysis of globalization and the associated demand for skills: a more macro-level perspective on globalization and its effects on the economic structure of Brazil (2.2); a meso-level analysis of the effects of globalization on labour market outcomes (2.3); and, finally, a more micro-level analysis of government policies to develop skilled labour (2.4), and of business HR strategies for skill acquisition and management (2.5).

Section 2.2 provides an overview of Brazil's recent experience with the globalization process. Trade liberalization and macroeconomic stabilization policies in the late 1980s and early 1990s opened up the Brazilian market to international competition. This led to a significant change in the structure of the economy, in particular to the internationalization of Brazilian firms, with a concomitant change in their demand for skills. In section 2.3, using data from the World Bank Enterprise Surveys for Brazil, we show that exporting firms in Brazil tend to pay higher wages (reflecting an "export premium") and hire more employees. After establishing the links between exports, wages

and employment, we explore the mechanisms behind these, both quantitatively and qualitatively, by studying the relationship between export markets and firm and industry characteristics. On the export market side, we investigate the role of product quality as demanded by foreign markets and the mechanisms whereby quality is generated, namely the demand for high-quality skilled labour. In section 2.4, we discuss recent government policies favouring the development of skilled labour. In section 2.5, we present Brazilian firms' strategies for adapting to the underlying labour market trends. In particular, we discuss the business strategies used by them to source and retain skills in the labour market. Section 2.6 summarizes the chapter's main findings.

2.2 The globalization of the Brazilian economy

The history of economic development in Brazil can easily be described as one of boom-and-bust cycles. In Brazil's early days as a Portuguese colony and during the post-independence period, the evolution of its economy was tied to developments in international markets for some of its export commodities, notably sugar in the sixteenth and seventeenth centuries, and coffee in the nineteenth. At the turn of the twentieth century, Brazil lacked the infrastructure and capital to support an industrial economy and just 3 per cent of the labour force worked in manufacturing. After the First World War, the country adopted inward-looking policies in support of import substitution. This accelerated after the Second World War, when Brazil underwent a rapid structural transformation that reallocated low-productivity agricultural workers to higher-productivity jobs, generally in industry and services. The country was thus able to sustain one of the highest growth rates in the world during the period 1920–80, but eventually, as in many other Latin American countries, this resulted in capital-scarce industrialization. There was a clear lack of public funds to sustain policies that relied heavily on government subsidies. Moreover, increased taxes on the agricultural sector, which were used to subsidize Brazil's industrialization, led to inflation and an increased reliance on intermediates and capital goods from abroad. These economic strategies caused long-term imbalances and a reliance on foreign investment and debt accumulation.

The Latin American debt crisis of 1982 and the subsequent stagnation in economic growth highlighted the need for comprehensive structural economic reforms. The economic turbulence in Brazil was also accompanied by the end of military rule and the return to democracy in 1985. Under democracy, social inclusion became a new priority. This marked a significant departure from policy under the military regime, which had focused on maximizing growth without paying much attention to Brazil's extremely high levels of social inequality. Macroeconomic reforms stabilized the economy, while changes in trade policy opened it up – at least partially – to international markets. The new trade policies included the suspension of some export-subsidy programmes, the removal of most non-tariff barriers on imports, a general reduction in import tariffs, the privatization of some state-owned enterprises and the deregulation of various markets (Spilimbergo and Srinivasan 2018). The volume of trade as a share of GDP increased

from 14.4 per cent in 1989 to 29.4 per cent in 2018. Brazil also became a source of foreign direct investment, with Brazilian investments targeting companies in countries in both the global South and the global North (Depetris Chauvin 2011). Between the 1990s and the 2010s, Brazilian foreign investment increased from US\$700 million a year to more than US\$20 billion yearly.

The opening up of its economy took place in a favourable international context for Brazil. Strong growth in China and other emerging markets fuelled the demand for many different types of commodities. As a prime producer of iron ore, sugar, coffee, meat, soybeans and many other commodities, Brazil was very well placed to benefit from this trend. At the same time, the domestic economy also became more dynamic. The rapidly growing middle class contributed to a transformation of the domestic economy. A higher minimum wage and credit growth resulted in a strong increase in consumption and GDP. The economy expanded significantly between 2003 and 2014 but suffered a very strong contraction in 2015–16. Thereafter the economy started to recover until it was hit by the global COVID-19 crisis.

Despite the expansion of trade and the improvement in living standards for millions of Brazilians, the pattern of globalization followed by the Brazilian economy over the past two decades presents some causes for concern. Figure 2.1 below shows the composition of Brazilian exports for 1999 (panel A) and 2019 (panel B). The data indicate a clear tendency towards the “re-primarization”² of exports, which have come to be dominated by primary, natural-resource-based products. This is mostly due to the increase in international commodity prices, resulting from the growth of demand in emerging markets, especially China, but it can also be attributed to Brazil’s natural regression towards a static comparative advantage following trade liberalization. Despite the Government’s efforts to foster innovation and increase the technological content of exports, Brazil has consolidated its status as an exporter of commodities. This is partly a consequence of the Government promoting the development of full production chains within the country, instead of specializing and integrating into global value chains (Oliveira 2017). Moreover, the country’s trade promotion policies have focused on establishing partnerships with other developing countries and decreasing the proportion of exports to the United States and Europe, which has tended to reduce the technological content and added value of exported goods and services. This phenomenon has been noted by several authors, including Canuto, Cavallari and Reis (2013), Bresser-Pereira (2015) and Nassif and Castilho (2017), who highlight the poor technological content of Brazilian exports.

We know from the trade liberalization undergone by Brazil between 1988 and 1995 that the opening up of its economy has had important consequences in the country’s labour market. Gonzaga, Menezes Filho and Terra (2006) found that, during the liberalization period, employment shifted from skilled to unskilled labour-intensive sectors, and that

² This refers to the return to primary commodities (products of agriculture, forestry, fisheries and mining) as the main source of export revenues.

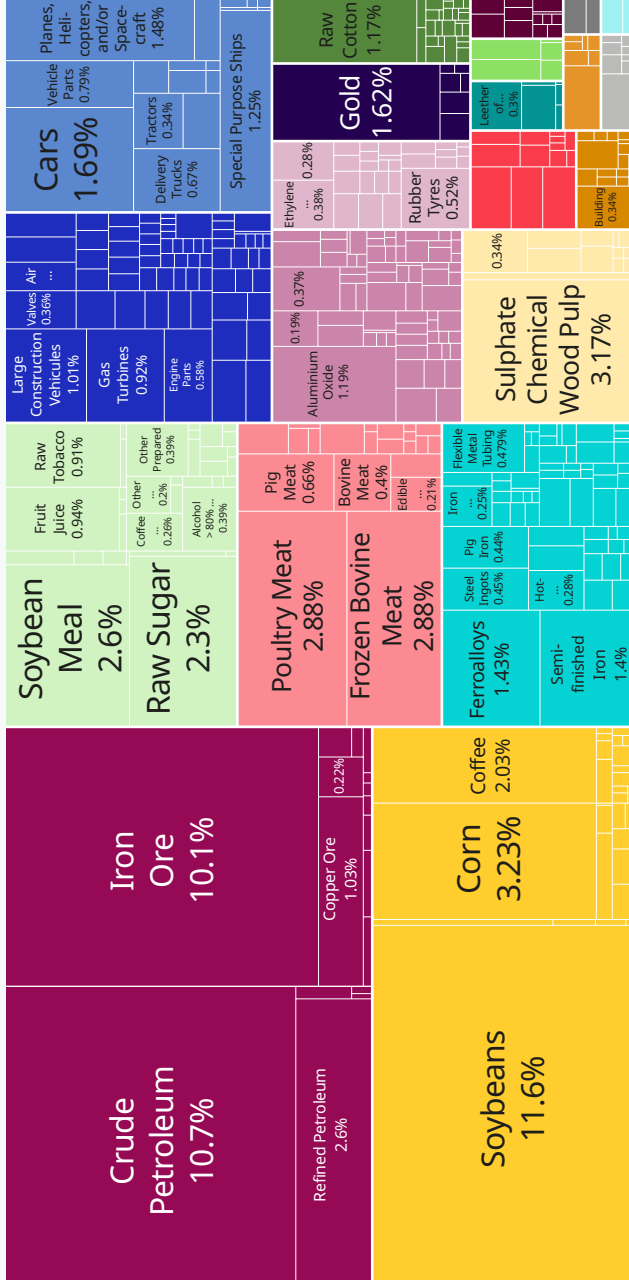
each sector increased its relative share of skilled labour. The main mechanism accounting for this change is that the opening up of the economy led to a decline in the relative prices in skill-intensive sectors. As a result, the wage differentials between skilled and unskilled workers decreased during that period. This could be seen as a reduction of labour income inequalities, but at the same time it also acted as a constraint on companies seeking to recruit workers with the right set of skills so as to be competitive in the international market in the skill-intensive services and manufacturing sectors.

The economic and social consequences of the recent re-primarization of the Brazilian economy are not clear at this stage. Some researchers (for example, Cooney 2016) point out that this process could have a negative impact owing to the concentration of investments and economic activities in sectors that are not labour intensive and have the potential to produce significant environmental degradation if natural resources are not used properly. According to Oliveira (2017), the focus on primary goods and commodities, the failure to specialize, the lack of innovation and low industrial labour productivity have hampered export growth in Brazil. Other scholars, such as Avila (2012), Caldas (2012) and Nassif (2011), note the various benefits arising from the production of technology-intensive manufactured goods, including increased employment generation, greater linkage with other sectors and higher rates of economic growth. However, these authors tend to think of agricultural and natural-resource-based production as activities with low productivity, as is often the case in low-income countries. The agrofood industry, often wrongly depicted as low value added and with little innovation content, is in fact a sector with significant opportunities for technological upgrading and maximization of rent even in high-income countries, as evidenced by the United States, Canada, Australia and New Zealand. As Ribeiro (2009) emphasizes, the re-primarization of Brazilian exports is not necessarily bad for the Brazilian economy, since it tallies with the country's distinct comparative advantages and could potentially lead to a large diversification of exported products.

Our hypothesis is that globalization presents both risks and opportunities for Brazilian firms, and we shall consider how exporting enhances the opportunities available to firms and industries in world markets. Taking a resource-based view of the firm (Wernerfelt 1984; Barney 1991; Peteraf 1993), we argue that these opportunities can be successfully exploited if firms and industries possess, or develop, the necessary resources and competencies (notably human capital) to become efficient world producers. This in turn has implications for employment and wages. As a result, global export opportunities are transmitted to the local economy. In contrast, those economies and firms that lack the necessary attributes suffer from globalization and may have to adapt and adjust to the new environment. The role of these attributes is discussed in the next section, with a particular emphasis on skilled labour.

► **Figure 2.1. (cont.)**

Panel B. Exports totalling US\$225 billion in 2019



► Source: Observatory of Economic Complexity.

2.3 Wage and employment gains from exports: The role of skills

The previous section described the significant structural change undergone by the Brazilian economy following a series of reform policies that integrated it into the world economy. In this section, we set out to document the potential gains and losses in the local labour market arising from the dynamics in question. To that end, we first determine empirically whether exporting leads to gains (an “export premium”) in employment and wages in Brazil. We then describe how the trade liberalization shock has negatively affected some sectors and regions.

The basic set of stylized facts concerning exporting firms and labour market variables is derived in this chapter using data from the Enterprise Surveys, a project led by the World Bank. An Enterprise Survey is a firm-level survey of a representative sample of an economy’s private sector. Two different cross-sections are available for Brazil: the survey for 2003 includes 1,575 plants, while the survey for 2009 includes 1,150. In the 2003 survey, 31 per cent of the Brazilian plants are exporters. For those exporters, the average share of output exported is 25 per cent of their total sales. These figures are in line with one of the previously discussed stylized facts, namely that Brazil is still a relatively closed economy, even by Latin American standards. In Latin America as a whole, 36 per cent of firms are exporters and exports constitute 34 per cent of their total sales.

To investigate the relationship between exports, exporting firms, wages and employment, we use the following empirical model:

$$y_{ij} = \gamma E_{ij} + \theta_j + u_{ij}$$

where y_{ij} is the outcome of interest (logarithm of wages or logarithm of employment) for firm i in industry j , E_{ij} is a measure of exporting status (here a dummy taking a value of 1 if the firm is an exporter), θ_j is an industry fixed effect and u_{ij} is an error term. The coefficient of interest is γ , which is interpreted as the exporter wage or employment premium.

Table 2.1 below summarizes the result for Brazil. For comparison purposes, we include the other BRICS countries as well. The exporter wage premium can be interpreted as a measure of how much higher wages are, on average, in exporting firms than in non-exporting ones. On average, exporters paid 51 per cent higher wages than non-exporters in Brazil in 2003 and 70 per cent more in 2009. These are sizeable differences, with potentially important implications for the well-being of the workers and for inequality across skill categories and levels of educational attainment. Interestingly, the exporter wage premium in Brazil was much higher than in the other BRICS countries. Using the Enterprise Survey databases and the same empirical model, we find that exporting firms in the Russian Federation (2012), India (2002), China (2003) and South Africa (2007) paid, respectively, 26, 29, 42 and 32 per cent higher salaries than non-exporters.

The exporter employment premium can be interpreted as a measure of how much larger, on average, exporting firms are relative to non-exporting ones. Our estimation shows that

exporters in Brazil indeed had a much larger workforce than non-exporters. On average, an exporter in 2009 was 135 per cent larger than a non-exporter (up from 117 per cent in 2003). A similar result was observed in the other BRICS countries.

► **Table 2.1. Wage and employment premiums for exporting firms**

Country	(1)	(2)	(3)
Brazil 2003	0.51***	1.17***	1 575
Brazil 2009	0.70***	1.35***	1 150
<i>BRICS comparison</i>			
Russian Federation 2009	0.04	1.00***	484
Russian Federation 2012	0.26**	0.97***	858
India 2000	0.05	0.79***	855
India 2002	0.29**	1.35***	1 775
China 2002	0.35***	0.93***	965
China 2003	0.42***	1.08***	1 309
South Africa 2003	0.27***	1.04***	554
South Africa 2007	0.32***	1.14***	672

*** 1% significance level ** 5% significance level * 10% significance level

Note: Column 1: decimal equivalent of percentage difference between wages paid by exporters and non-exporters, controlling for country–industry–year interaction effects. Column 2: decimal equivalent of percentage difference between number of workers at exporters and non-exporters, controlling for the same effects as above. Column 3: number of observations

These results are not surprising: it is a very well-documented fact that exporting firms are greatly different from non-exporting ones. Since the seminal work by Bernard and Jensen (1995, 1999) and Bernard and Wagner (1997), several papers have found a positive correlation between exports and firm outcomes, in both developed and developing countries. These studies also generally find that exporting firms are more productive in terms of value added per worker, and that they are more capital and skill intensive.

Several mechanisms have been invoked in the literature to explain the link between exporting and the wage and employment premiums. Two theories stand out, namely those advanced by Roberts and Tybout (1997) and by Clerides, Lach and Tybout (1998). The first argues that firms self-select into exporting. Consequently, better firms become exporters. This better performance implies the payment of a wage premium and the hiring of more workers. The other theory postulates a learning-by-exporting process. Firms become exporters and later become “better” at paying higher wages and employing more workers. The discussion of which theory is more applicable to Brazil is beyond the scope of this chapter, but it does have important implications for government policies aimed at promoting export activities.

For policy purposes, it is very important to understand the mechanisms through which the link between exports, wages and employment operates. The economic literature points to the existence of four potential mechanisms: exporting firms use more skilled labour; exports require technological sophistication; exporting firms use more imported inputs; and exporting firms have higher productivity.

As explained in Brambilla, Depetris Chauvin and Porto (2017), there are many reasons why exporters hire more workers and pay higher wages. A key reason is that the production of goods for export requires skilled labour. This is because exporting requires quality upgrades (Verhoogen 2008) or because the act of exporting involves services to support various operations (Matsuyama 2007). Both the achievement of quality and the provision of exporting services are skilled labour-intensive activities. As a result, firms that choose to export need to hire proportionately more skilled labour and pay their high-skilled workers a wage premium. While we focus in this chapter on the role of skilled labour, it is important to note that the use of sophisticated technological inputs is complementary to the use of skilled labour (Yeaple 2005; Acemoglu and Zilibotti 2001). There is also evidence that exporting often requires high-quality inputs. If there is a complementarity between the use of higher-quality inputs and the use of higher-quality labour, then this could be another of the mechanisms underlying the exporter wage premium.

Using the Enterprise Survey data, we can study whether Brazilian exporters demand more skilled workers than do non-exporters. To that end, we use the following regression model:

$$s_{ij} = \gamma E_{ij} + \theta_j + u_{ij}$$

where the dependent variables (now s_{ij}) are different measures of skilled labour utilization relative to unskilled labour. The other variables are defined as in the earlier equation.

The results for these regressions are displayed in table 2.2 below. As before, we present the results for Brazil and the other BRICS countries. The survey offers four different measures of the use of skilled labour: the share of skilled workers in the total workforce of the firm (column 1); the share of the workforce of the firm who completed secondary

education (column 2); the share of managers in the firm with tertiary education (column 3); and the share of managers in the firm with postgraduate education (column 4).

The information is not available for all variables and surveys, but we can confirm a positive association between exporting and the various measures of utilization of skilled labour. In Brazil (2003 data) the share of skilled workers relative to unskilled workers was 72 per cent higher in exporting firms. Likewise, the proportion of workers at Brazilian exporting firms who have completed secondary education was 4 per cent higher than for non-exporters. In columns 3 and 4 of table 2.2, we investigate whether exporters demand specific levels of education from senior employees. Specifically, we look at the quality

► **Table 2.2. Composition of the labour force
(exporters versus non-exporters)**

	Share of skilled workers in total workforce	Share of workers with secondary education	Share of managers with tertiary education	Share of managers with postgraduate education
Country	(1)	(2)	(3)	(4)
Brazil 2003	0.72***	0.04***	0.22***	0.19***
Brazil 2009	1.34***	n.a.	n.a.	n.a.
<i>BRICS comparison</i>				
Russian Federation 2009	0.22	n.a.	n.a.	n.a.
Russian Federation 2012	2.71***	n.a.	n.a.	n.a.
India 2000	1.38**	n.a.	0.08*	n.a.
India 2002	n.a.	0.07***	0.03	n.a.
China 2002	n.a.	n.a.	0.10***	0.06*
China 2003	0.02*	n.a.	0.11***	0.09***
South Africa 2003	1.28**	0.02	0.24***	0.19***
South Africa 2007	0.60*	n.a.	n.a.	n.a.

*** 1% significance level ** 5% significance level * 10% significance level n.a. = data not available

Note: The table presents exporter premiums, controlling for country–industry–year interaction effects.

(in terms of educational attainment) of managers. In Brazil, as it turns out, managers are 22 per cent more likely to have tertiary-level education in an exporting than in a non-exporting firm. Likewise, managers are 19 per cent more likely to have postgraduate education in a Brazilian exporting firm. Similar results can again be observed for the other BRICS countries.

Although space does not allow us to present detailed results here, our estimations confirm that exporting firms do indeed use more skilled labour than non-exporters. The other three mechanisms that may potentially account for wage and employment premiums at exporting firms (exports requiring technological sophistication, exporting firms using more imported inputs and exporting firms being more productive) are also confirmed by the data for Brazil. To conclude this section, we present our last empirical model, which we use to estimate the exporter wage and employment premiums conditional on the variables of relevance to the aforementioned mechanisms. The objective is to test whether the mechanisms make sense and to estimate how much of the observed wage and employment premiums can be captured by them. The empirical model proposed is an extension of our first empirical model:

$$y_{ij} = \gamma E_{ij} + \mathbf{m}'_{ij} \delta + \theta_j + u_{ij}$$

where all variables are defined as above and \mathbf{m}'_{ij} is a vector of variables capturing the four potential mechanisms (skill utilization, technology, imported inputs and productivity).

We first present results for the exporter wage premium in table 2.3. The first column corresponds to the values of the exporter wage premium presented in table 2.1. Our strategy is to add control variables sequentially to observe what happens to the wage premium. That is, we want to understand whether the act of exporting per se creates higher wages, or whether the reason why exporting firms pay higher wages than non-exporting ones is that they are different in several respects. In all our regressions we use a measure of firm size (logarithm of sales) and foreign ownership as control variables because the economic literature indicates that foreign-owned and large companies are more likely to be exporters regardless of the other mechanisms we are considering. Controlling for skill composition alone (column 2) does not affect the wage premium appreciably. This implies that our measure of skills may be important only in combination with other factors. Combining skill composition and technology (column 3) has sizeable effects on the wage premium (for Brazil it decreases from 71 per cent to 41 per cent in 2009). This highlights the complementarity between human skills and technology. If we add imported inputs (column 4), the wage premium drops to 31 per cent for Brazil in 2009. “Imported inputs” is a good proxy for the use of quality inputs and this finding therefore highlights the important complementarity of human skills, quality inputs and technology. Finally, when we add a measure of firm productivity (column 5), which captures how well all the other factors are combined by the firm, the wage premium disappears entirely. In this case, exporters and non-exporters would pay more or less the same wage if none of the

► **Table 2.3. Exporter wage premium controlling for plant characteristics**

	No controls	Skill composition	+ Technology	+ Imported inputs	+ Productivity
Country	(1)	(2)	(3)	(4)	(5)
Brazil 2003	0.51***	0.51***	0.28***	0.24***	-0.05*
Brazil 2009	0.70***	0.71***	0.41***	0.31***	-0.11
<i>BRICS comparison</i>					
Russian Federation 2009	0.04	0.04	-0.22*	-0.27*	-0.28***
Russian Federation 2012	0.26**	0.24**	0.14*	0.11	-0.06
India 2000	0.05	0.06	0.01	-0.0037	-0.05
India 2002	0.29**	0.29**	0.21***	0.10*	0.06
China 2002	0.35***	0.35***	0.1	-0.09**	0.07
China 2003	0.42***	n.a.	n.a.	n.a.	n.a.
South Africa 2003	0.27***	0.27***	0.08*	0.05	-0.01
South Africa 2007	0.32***	0.32***	0.17***	0.12***	-0.05

*** 1% significance level ** 5% significance level * 10% significance level n.a. = data not available

Note: The table presents exporter wage premiums, controlling for share of skilled workers, capital-to-labour ratio, ISO certification, imports of intermediate inputs, foreign ownership, labour productivity and logarithm of sales.

aforementioned mechanisms were operating. This is a very important result: exporting firms pay higher wages not because of the act of exporting in itself but because of the factors that enable firms to become successful exporters, including a higher endowment of human capital.

In table 2.4, the same analysis is conducted for the employment premium. We reach similar conclusions: as more control variables are added, the exporter employment premium decreases significantly. In Brazil, the employment premium drops from 117 per cent (2003 data) and 135 per cent (2009 data) to 10 per cent. While this decline is sizeable, the

► **Table 2.4. Exporter employment premium controlling for plant characteristics**

	No controls	Skill composition	+ Technology	+ Imported inputs	+ Productivity
Country	(1)	(2)	(3)	(4)	(5)
Brazil 2003	1.17***	1.14***	0.96***	0.91***	0.10***
Brazil 2009	1.35***	1.34***	1.17***	0.99***	0.10***
<i>BRICS comparison</i>					
Russian Federation 2009	1.00***	0.99***	0.82***	0.81***	0.06
Russian Federation 2012	0.97***	0.85***	0.64***	0.65***	0.02
India 2000	0.79***	0.76***	0.64***	0.53**	0.53**
India 2002	1.35***	1.35***	1.35***	1.06***	1.05***
China 2002	0.93***	0.93***	0.74***	0.68***	0.0047
China 2003	1.08***	n.a.	n.a.	n.a.	n.a.
South Africa 2003	1.04***	1.03***	0.86***	0.72***	0.07
South Africa 2007	1.14***	1.11***	0.79***	0.65***	0.02

*** 1% significance level ** 5% significance level * 10% significance level n.a. = data not available

Note: The table presents exporter employment premiums, controlling for share of skilled workers, capital-to-labour ratio, ISO certification, imports of intermediate inputs, foreign ownership, labour productivity and logarithm of sales.

employment premium in column 5 is still statistically significant and positive. This implies the existence of some additional “hidden” mechanisms that make exporting firms in Brazil larger, even after taking into account all four of the mechanisms discussed above.

We have so far been considering the potential gains from exports. The evidence does indeed show that the trade opening of the Brazilian economy in the 1990s “increased aggregate productivity in manufacturing both directly, through the pressure of foreign competition that materialized with the greater availability of imported goods, and indir-

ectly, through the lower cost of machinery, equipment and inputs for Brazilian firms” (Góes et al. 2018, 111; see also Rossi Junior and Ferreira 1999; and Lisboa, Menezes Filho and Schor 2010). However, there is also evidence of several sectors and regions being affected negatively by trade liberalization. Kovak (2013) and Dix-Carneiro and Kovak (2017) show that while the aggregate impact on formal employment and income was minor, regional impacts were significant. Those regions that previously specialized in the industries most affected by trade liberalization experienced a greater reduction in formal sector employment than did other regions in the country. The authors argue that those negative effects are due to a low degree of integration of labour markets and, possibly, the rigidity of labour laws, which induced workers to shift from the formal to the informal sector. Similarly, Góes et al. (2018) find that, “following trade liberalization, workers tend to move out of sectors that had been more protected – and less competitive – into more competitive sectors. The total level of employment remains substantially unchanged because the main effect is intersectoral migration.” During the 1990s, 75 per cent of the sectors of the Brazilian economy expanded their employment. Twenty years later, only three sectors were expected to experience more than a 0.5 per cent reduction in employment (Góes et al. 2018, 116).

This section has documented the gains from exports and the potential losses for import-competing sectors. On average, manufacturing firms in Brazil that export hire more workers and pay higher salaries than non-exporting ones. However, these wage and employment premiums are not the result of exporting per se but arise from exporters’ need to hire more skilled workers, acquire more advanced technologies, use better-quality inputs and generally be more productive if they want to participate successfully in international markets. The losses arising from trade liberalization also show that trade reform must be accompanied by active labour market policies and a skills development programme so that workers hurt by trade can acquire new skills for sectors and industries that benefit from the economy’s opening (Góes et al. 2018, 111).

2.4 Government policies to promote skills development

Brazil is no longer an economy that can base its comparative advantage on the availability of inexpensive labour. Moreover, the evidence presented in the preceding section shows how exports that are intensive in technology and human capital, use high-quality inputs and come from highly productive firms are the main drivers of increases in labour income and employment. Firms combining all these factors can compete and survive in the global economy. The focus in this chapter is on the role of skilled labour. Human capital theory suggests that an increase in investment in human capital should have a positive effect on a firm’s growth. Such capital enables better and faster execution of relevant tasks that are industry specific as well as firm specific (Becker 1975; Contractor and Mudambi 2008). Complementarily, the resource-based view of the firm (Wernerfelt 1984, 1995; Barney 1991, 2001) stresses that firms need to adapt or develop their internal resources (technological and human resources; inputs) to match the changing demands

of their client markets. This is particularly important for knowledge-based activities that require the integration of human and technological capabilities. This section deals with government policies to promote skills development, while the next section discusses the HR strategies of Brazilian firms aimed at upgrading human capital.

There is no doubt that Brazil has achieved significant progress in education, the result of considerable investment in all levels of the public education system. However, education gaps vis-à-vis OECD countries and even other Latin American countries remain large and will probably take decades to close. Remarkable progress has been made in expanding access to elementary education (now standing at 99 per cent), but dropout rates remain high (15 per cent). The rates of enrolment in secondary and higher education are low. A growing number of young people from affluent Brazilian households decide to study abroad because of the shortage of high-quality undergraduate courses in the country and the highly selective admission policies of leading public universities. The accelerated reduction of the school-age population caused by demographic transition (as mentioned in the introduction to this chapter) should provide a unique opportunity for Brazil to increase the level of investment per student without putting too much additional strain on public finances.

Deficiencies in the educational system have important consequences for the competitiveness of the country in international markets. Ardichvili, Zavyalova and Minina (2012) showed that in the first decade of the twenty-first century the Russian Federation and Brazil were ahead of China and India in terms of human capital capacity. However, over the past decade, the Chinese and Indian Governments have implemented large-scale national programmes to promote human capital development, including significant investment and targeted government regulation in primary and secondary education, vocational education and training, and higher education, especially in science and technology. In contrast, Brazil has dedicated programmes in some of these areas, but lacks comprehensive long-term strategies covering all of them; there has also been no attempt to coordinate the efforts of the various agencies and stakeholders. As a result, human capital capabilities in Brazil are lagging behind those of other BRICS countries, as noted in several studies. Fortunato and Razo (2014) review the process of diversifying and increasing export sophistication in emerging economies and find that the main constraint preventing firms from upgrading their exports is the lack of productive knowledge and capabilities. They accordingly highlight the need for industrial, education and training policies to facilitate change.

Brazil's most significant recent active labour market policy is the National Programme for Access to Technical Education and Employment (PRONATEC). According to Góes et al. (2018, 119–120), the programme has not achieved its main objective of bringing about significantly more employment and income for its participants. The main reason for this is the mismatch between the supply of courses and the demand for skills in the labour market. Although employers were signalling greater demand for workers with science, technology, engineering and mathematics (STEM) skills, most of the courses were for

administrative assistants and computer operators. To avoid such mismatches, another recent programme implemented by the Ministry of Industry, Foreign Trade and Services included a mechanism for identifying regional demand for skills, using an official database built on the basis of a survey of companies. O'Connell et al. (2017) found that graduates of this programme were significantly more likely to be employed, especially in sectors reliant on STEM skills, some of which recorded changes in the probability of finding a job of more than 10 per cent. If active labour market policies are to be able to cushion the shock caused by the liberalization of the Brazilian economy, policymakers need to address three principal questions:

1. Which regions will be most affected by the trade shock?
2. In which sectors will employment expand or contract after trade opening?
3. What skills are in demand, and how will that demand evolve, in each geographical area?

This ties in with our hypothesis that globalization presents both risks and opportunities for Brazilian firms. As pointed out by Góes et al. (2018, 120), designing and implementing appropriate active labour market and capacity-building policies would help to maximize the benefits of trade liberalization and mitigate the transitional costs likely to be borne by specific regions, firms and groups of workers.

The government interventions reviewed above are a good example of horizontal policies: they support an economic activity (the development of human capital) without any selective targeting of economic sectors. Such policies are necessary and useful, but they are generally not sufficient to ensure the successful internationalization of local firms. World export trade is extremely competitive and firms from emerging countries like Brazil face numerous hurdles preventing them from accessing international markets. It is particularly difficult for them to access developed-country destinations, which on account of their size and purchasing power offer the greatest opportunities for profits and export growth. Some of these barriers are the source of international negotiations and disputes, such as tariffs and other barriers, but yet other obstacles, often more substantial, operate at a deeper level and have to do with the information that firms need to acquire and the knowledge and capabilities that they need to develop (Depetris Chauvin and Hallak 2020). Such knowledge and capabilities are often sector and firm specific, which means that they cannot always be covered by government policies: instead, they must be addressed by firms themselves. Accordingly, the next section deals with the HR strategies of some of the successfully internationalized Brazilian firms.

2.5 Firm-level HR strategies in Brazil

The literature on HR and firm capabilities has looked at the extent of innovation together with the managerial knowledge and skills required to successfully increase competitive advantage (see Marotti de Mello et al. 2008 for a review). Goedhuys and Veugelers (2012) examine firm-level data to study the innovation strategies of Brazilian manufacturing

firms. The authors outline the nature of technological adaptation in emerging economies and identify the main drivers of innovation and firm growth. Their analysis emphasizes the role of education in innovation capacity, and they determine the necessary levels of skill and education among the workforce and management on the basis of data from 1,642 manufacturing firms. Rapini, Chiarini and Bittencourt (2017), drawing on extensive data, conclude that the insufficient innovation capacity of Brazilian firms derives from the lack of qualified staff. According to them, this is because not enough technological knowledge is imparted at universities and in companies. Capozza and Divella (2018) argue that a critical portion of the knowledge required for innovation is to be found in HR and does not depend on R&D activities. The authors suggest that, in addition to hiring highly educated managers, companies would benefit from supporting firm-specific technical skills and competencies in their workforce. They advocate the internal development of innovation, rather than the external acquisition of innovations. Cahen, Lahiri and Borini (2016) identify the barriers to the internationalization of new technology-based firms by analysing perceptions among senior Brazilian executives. They find that the HR barrier is one of the most important ones. To augment HR capacity, they argue, managers need to invest in recruiting the right talents within the company and in setting up a culture across departments that promotes internationalization. They emphasize that the most important task is to provide adequate training (in-house or through external consultants) to prepare senior and mid-level managers for international operations.

In parallel to government policies, Brazilian firms have also been adapting their HR policies and management strategies to be able to make use of the opportunities and tackle the challenges created by globalization. Drawing on a qualitative survey of 160 Brazilian HR specialists, Fischer and Galvão de Albuquerque (2005) found that the principles of competency management, corporate education and encouragement of organizational learning had started to be gradually assimilated by companies. One of their main conclusions is that the change process in HR had ceased to be reactive and become proactive. Fleury and Fleury (2012) similarly review companies with outstanding HR performance (such as Embraer and Petrobras) and adaptation at different stages of internationalization. Other researchers have noted a shift in focus within the educational systems of successful developing countries from equipping workers with the skills to adopt and adapt technology to preparing them to be innovative (see Fortunato and Razo 2014, 281).

The experience of the most successful Brazilian firms in terms of internationalization highlights the importance of the policies they have adopted to upgrade human skills. Different HR strategies have been used to that end (see case studies 1 and 2 below). For instance, Ambev, now part of the world's largest beer-producing company, AB InBev, is known for sending its trainees and interns to work abroad and many of its international leaders are Brazilian. The participants in Ambev's trainee and internship programmes, which are famously competitive, go through a series of projects to learn how the dif-

ferent areas of the company work, including marketing, supply chain, HR, logistics and operations. Ambev is one of the largest Brazilian multinationals, and its HR strategy is an example of successful employee skill development despite the unfavourable economic and political context faced by the company in Brazil. Ambev's path to internationalization was through a merger with Anheuser-Busch from the United States and Interbrew from Belgium, which allowed many of its Brazilian executives, together with its employees and trainees, to learn from those two companies' operations and innovation strategies.

Not all successful firms have sought to respond to the challenge of globalization by adopting management practices that have worked well elsewhere. Some have decided to develop their competitiveness through management practices firmly anchored in their country's culture (Tanure and Duarte 2006). A good example is the Brazilian cosmetics manufacturer Natura &Co (see case study 2.1).

► HR policies in successful Brazilian multinationals

Case study 2.1. Natura &Co

Natura &Co was founded in 1969. It is the leader in the cosmetics industry in Brazil and has branched out into international markets with The Body Shop and Aesop. The original brand, Natura, was created with local climate conditions in mind, which differentiated it from the imported products offered in Brazil. The company was able to innovate consistently, winning the annual Innovation Value award and allocating 2.4 per cent of its revenues to R&D in 2019. Following its acquisition of Avon in 2020, it is expected that 68 per cent of its sales will come from international markets, as opposed to 45 per cent previously, which would make Natura &Co the seventh most international Brazilian firm.

From its inception, Natura has focused on innovation and sustainability, seeking to develop environmentally friendly skincare products. The company is known for supporting welfare and education within its offices and through diverse communities all around the country. Natura's educational efforts are extensive, their objective being to improve the company's resources and capabilities through employee education. It has launched a series of initiatives aimed at developing employee knowledge and skills, and has been awarded prizes in innovation and HR. These initiatives include:

- Natura Campus: the company collaborates with research institutes and universities through an "open innovation" programme focusing on sustainability, environmental impact, packaging, product safety testing and product efficiency.

- ▶ **Natura Learning Ecosystem:** the company's educational architecture focuses on developing skills internally, particularly agile working, design thinking, user experience and distributed leadership. This "ecosystem" takes employees through five learning journeys, two of which focus on competencies in relationship selling, branding, product development, sustainability and diversity. Another two focus on digitalization and networking, while the fifth deals with leadership development. The programme is implemented through in-person courses, elearning, webinars and podcasts. Thanks to it, Natura was able to fill 75 per cent of management vacancies in the company with existing employees.
- ▶ **CorageN Programme:** this is Natura's entrepreneurial and innovation programme under which 18 professionals participate in four of the company's radically innovative projects. What is unusual about this programme is Natura's decision to waive professional skills and experience requirements, focusing instead on the participant's entrepreneurial profile. The group receive support from mentors, directors and vice presidents of the company.
- ▶ **Natura Education Programme:** this provides employees from the areas of operations, administration and sales with scholarships to enable them to undertake technical, degree, postgraduate and language courses.
- ▶ **Natura Institute:** this manages the profits from the Crer Para Ver range of non-cosmetic products, which are reinvested into public education and welfare initiatives. A total of 30 per cent of profits goes directly to education initiatives for Natura Beauty Consultants (resellers) and their family members.

▶ **Sources:**

Cosmetic Innovation. 2020. "Distribution of the Cosmetics and Personal Care Market in Brazil in 2019, by Company", Statista, 4 June 2020.

Paiva Zilio, André Augusto de, Flávia Gonet Santos Nóbrega de Lima, Ricardo Gentil Peixoto da Costa, Paulo José C.L. Prochno, and Alexandre J. Martins Pinheiro. 2007. "O Processo de Inovação da Natura Cosméticos S.A." [The innovation process of Natura Cosméticos]. Paper presented at the 21st Workshop of the National Association for Postgraduate Management Studies and Research (ANPAD), Rio de Janeiro, 22–26 September 2007.

Direct Selling News. "Natura: Building a Better World, One Mind at a Time". 30 June 2014.

PR Newswire. 2020. "Natura &Co Significantly Outperforms Global CFT Market in Q3 with Strong Sales Growth and Margin Improvement". finanzen.ch, 12 November 2020.

Valor Econômico. 2020. "Natura recebe prêmio de empresa mais inovadora do Brasil" [Natura receives prize for being the most innovative enterprise in Brazil]. 17 September 2020.

Similarly, Tupy, a multinational that produces cast-iron parts for the automotive and other industries, provides workers with the opportunity to continue and complete their secondary education within the company through its Youth and Adult Education Department. Additionally, Tupy offers technical, behavioural and specialization courses within the company in partnership with quality education institutions. Stefanini, a Brazilian multinational providing software and information technology (IT) consultancy services, invests in employee and student education through initiatives such as the Instituto Stefanini, which prepares students from a young age to enter the job market in the IT industry. The internships at Stefanini include a series of projects designed to train participants in various skills. Successful HR strategies often go beyond training. For example, WEG, a multinational operating in the areas of electrical engineering, energy and automation, is praised not only for educating its employees but also for policies such as job rotation, which allows employees to experience different areas of the business and find their niche. In short, given the skill deficits of the country's labour force, many leading Brazilian firms invest heavily in developing a wide range of training and development initiatives to nurture their existing and future employees.

Leading Brazilian multinationals also actively promote diversity and inclusion initiatives as a way of demonstrating that they are an “employer of choice” with a strong sense of fairness and justice, as exemplified by Bradesco (see case study 2.2).

► HR policies in successful Brazilian multinationals

Case study 2.2. Bradesco

Banco Bradesco is a Brazilian financial services company headquartered in Osasco, in the state of São Paulo, and established in 1943. Its initial strategy was to attract small entrepreneurs, public servants and low-income individuals. It started internationalizing in the 1980s and is now the third-largest banking institution in Brazil and in Latin America. In 2020, Bradesco had 89,575 employees, of whom 50.4 per cent were women, 26.4 per cent were black and 4.7 per cent were persons with disabilities.

Bradesco has become a recognized employer brand that attracts around 400,000 job applications every year. Its approach to managing human capital is governed by the following principles: excellence, respect, transparent relations, continual investment and development, knowledge-sharing and recognition of human value. Bradesco also seeks to provide a safe and healthy work environment. These principles are outlined in its Human Resources Management Policy. The HR Department runs a number of innovative programmes that follow the human-centred business model as described in the *Work for a Brighter Future* report (ILO 2019). These include initiatives

addressing succession planning and leadership development, employee awareness, human capital development, health and well-being, diversity and inclusion, gender empowerment, employees with disabilities, ethical conduct, and environmental, social and governance issues.

Among these, the Succession Map identifies employees with the potential to rise to leadership positions or take on more complex roles. By 2019, a total of 2,692 employees had been assessed as part of the succession process. Unibrad, Bradesco's corporate university, offers a diverse range of learning solutions to deliver on this commitment and encourages the company's employees to strive to realize their full potential. This includes structured individual development plans and other training and development activities. Further relevant initiatives include the Viva Bem (Live Well) health and well-being programme, and programmes promoting participation in volunteering activities.

Bradesco has also adopted robust policies for diversity and inclusion at the corporate level. Its Diversity and Inclusion Working Group focuses on addressing these issues in all of the company's activities. Various subgroups deal with sexual orientation and gender identity, people with disabilities, and ethnic or racial issues. They are made up of employee volunteers who discuss and propose actions. The Diversity Management Team in the HR Department is responsible for ensuring that groups who are underrepresented in the labour market have greater representation on the company's staff. The team has four priority areas: people with disabilities, gender, LGBTI+ persons and race/ethnicity.

One notable example is the company's efforts to support employees who communicate in Libras (Brazilian Sign Language). Bradesco provides interpreters to support employees at meetings with managers. Interpretation using Libras is also available when relevant topics are discussed on live-streams. Marketing emails are sent with a link that provides access to the content in Libras. Since 2019, Bradesco has been part of The Valuable 500, a global movement promoting the inclusion of people with disabilities on the corporate leadership agenda.

The workforce is almost equally divided by gender (50.4 per cent female), attesting to Bradesco's commitment to a more balanced corporate environment. Many benefits focus on women, such as the Together for a Healthy Pregnancy initiative. Bradesco is also a member of the Corporate Citizen Programme, which ensures that paid maternity leave can be extended to 180 days. Day-care and nanny assistance programmes help mothers returning to work.

Some of the company's main administrative centres have begun to include breastfeeding support rooms.

In 2020, the company's Viva Bem programme established a hotline to provide support in the event of domestic violence. It is staffed by numerous professionals trained to handle complaints from employees or their families through psychological, social, legal and other support and guidance measures, including the opportunity to receive on-site assistance.

► Source: Bradesco Integrated Reports from 2019 and 2020.

It is important to note that not all changes in the HRM policies of Brazilian firms have improved their prospects of internationalization, nor have they had the desired effects on human capital accumulation. Dengo and Grisci (2003) look at corporate universities in Brazil, identifying their effectiveness and contribution to companies. In general, corporate universities may be described as internal educational units that systematize training and promote development in ways that are not unlike traditional training and development centres. They tend to have little impact in terms of internationalization, but they often do help to enhance a company's brand image in the Brazilian market. Ambrosius (2016) analyses the relationship between talent management strategies and employee retention in Brazilian firms on the basis of a sample of 61 employees from Brazilian multinationals. A linear regression model reveals a positive relationship between training and the development of employees and their intention to leave the company. This implies that training to be successful should be supplemented with organizational support and genuine career opportunities for employees. The evaluation of employees' performance accordingly needs to be effective and should reward those who perform well. Sendin (2013) points out how the successful Brazilian operations of domestic and international firms, such as Natura &Co, Votorantim and Sanofi, are informed by HRM policies that consider all relevant dimensions.

In addition to academic papers, reviews and case studies in practitioner-oriented journals also concur in stressing the role of HR in supporting the internationalization of Brazilian firms (see, for instance, *Você RH* 2019). Although there is a need for more sophisticated state-run education programmes to create a more competitive labour pool that Brazilian multinationals can draw from, and also for public-private partnerships to develop more effective on-the-job training programmes, the individual successes of many firms are encouraging. Their approaches have involved both adopting international HR best practices and developing home-grown strategies that are firmly embedded in Brazilian culture and realities, as discussed in the case studies presented above.

2.6 Conclusions

The Brazilian economy has undergone considerable structural transformation following economic reforms that led to trade liberalization. Even so, the country's economy remains relatively inward-looking, with trade volumes below what one would expect for an economy of that size. This chapter has discussed the challenges and opportunities faced by Brazilian firms seeking to increase their presence in international markets. In particular, we analysed the role that skilled labour plays in this process.

Globalization poses both challenges and opportunities for developing countries. On the one hand, access to new markets for exporting firms in upper-middle-income countries like Brazil can potentially create employment opportunities and drive wages up. Using firm-level data, we show that exporting firms in Brazil pay higher salaries and hire more workers. On the other hand, import-competing sectors are subject to stronger competition from abroad, which can destroy jobs and drive wages down. Moreover, the process of internationalization in Brazil has fostered a re-primarization of exports, which may militate against a more inclusive and sustainable development model.

Countries like Brazil do not have a large pool of inexpensive labour and are therefore not competitive in the unskilled labour-intensive stages of global value chains. Still, differentiated and high-value-added exports could also be achieved by Brazilian domestic firms without relying on labour cost advantages. However, the production of high-value-added export-oriented goods calls for skilled labour, sophisticated machines and high-quality inputs. This is because such exports generally require an upgrading of product quality and improvements in business operations. We have explored these relationships on the basis of firm-level survey data, establishing links between export markets and firm/industry attributes.

This chapter has also reviewed the challenges faced by firms when it comes to integrating and developing skilled labour, and considered how government policies and business strategies could tackle these. Well-targeted active labour market policies can have very positive impacts on both employers and employees. However, the evidence regarding specific labour policies aimed at promoting export activities among firms in emerging markets is very scant. Governments often try to enhance export competitiveness through export promotion policies. There is a wide variety of such policies (Brambilla, Lederman and Porto 2017, 2019; Volpe Martincus and Sztajerowska 2019), including country image-building activities (such as advertising, promotional events and advocacy), marketing activities (trade fairs and missions), market research and the development of skills for export support services (exporter training and technical assistance). The empirical evidence for the relative effectiveness of all these different policies is still inconclusive. However, on the whole it suggests that such policies have a greater impact on small firms and on firms that produce differentiated products (Volpe Martincus 2010; Volpe Martincus and Carballo 2012; Volpe Martincus, Carballo and Garcia 2012; Cruz 2014).

Our chapter also presents evidence of successful HR practices that could be emulated by other Brazilian firms. Those that have internationalized successfully are characterized by HR policies that put the development of their employees' capabilities at the centre of their competitive strategies. In particular, training programmes supporting firm-specific technical skills and competencies, together with job rotation, which allows employees to experience different areas of the business and find their niche, tend to have markedly positive effects. These HR policies are also dynamic, allowing employees to learn continuously and adapt to an ever evolving business environment. Moreover, as shown in the case studies, many successful Brazilian firms have understood that to increase productivity their HR policies need to take into account cultural sensitivities and promote equal opportunities within the organization. Most of the evidence of successful HR practices in Brazilian internationalized firms comes from large companies. However, we know that the greatest effect of policies promoting export skills is often to be observed among small and medium-sized enterprises, which lack the resources of the largest companies. There is ample evidence that training and consultancy interventions aimed at building firms' human capabilities for the adoption of good management practices are an effective form of knowledge transfer and lead to improvements in firm productivity, profits, added value, employment and sales (Bloom et al. 2013, 2020; Iacovone, Maloney and McKenzie 2019; Higuchi, Nam and Sonobe 2017; Higuchi, Mhede and Sonobe 2019).

Finally, it is important to emphasize that formal education and human capital development at the firm level are only one part of the equation. Successful internationalization also requires technology, high-quality inputs and productivity improvements at the firm level, together with a favourable business environment that provides, among other things, appropriate "hard" and "soft" infrastructure and logistics services. This means that skills development policies and HR practices cannot be understood in isolation but must, rather, always be considered in relation to other complementary policies.

► References

- Acemoglu, Daron, and Fabrizio Zilibotti. 2001. "Productivity Differences". *Quarterly Journal of Economics* 116 (2): 563–606.
- Ambrosius, Judith. 2016. "Strategic Talent Management in Emerging Markets and Its Impact on Employee Retention: Evidence from Brazilian MNCs". *Thunderbird International Business Review* 60 (1): 53–68.
- Ardichvili, Alexandre, Elena Zavvalova, and Vera Minina. 2012. "Human Capital Development: Comparative Analysis of BRICs". *European Journal of Training and Development* 36 (2/3): 213–233.
- Avila, Róber Iturriet. 2012. "'Efeito-China' no comércio externo brasileiro e gaúcho pós-2000" [The "China effect" in the foreign trade of Brazil and the state of Rio Grande do Sul after 2000]. *Indicadores Econômicos FEE* 39 (4): 83–92.
- Barney, Jay B. 1991. "Firm Resources and Sustained Competitive Advantage". *Journal of Management* 17 (1): 99–120.
- . 2001. "Resource-Based Theories of Competitive Advantage: A Ten-Year Retrospective on the Resource-Based View". *Journal of Management* 27 (6): 643–650.
- Bartilotti Picanço, Lara, Mariana Nozela Prado, and Andrew Allen. 2018. "Environmental Concerns: Brazil 2018 – Understanding the Issues". Woodrow Wilson International Center for Scholars.
- Becker, Gary S. 1975. *Human Capital: A Theoretical and Empirical Analysis, with Special Reference to Education*, 2nd ed. New York: Columbia University Press.
- Bernard, Andrew B., and J. Bradford Jensen. 1995. "Exporters, Jobs, and Wages in U.S. Manufacturing: 1976–1987". In *Brookings Papers on Economic Activity: Microeconomics 1995*, edited by George L. Perry and William C. Brainard, 67–119. Washington, DC: Brookings Institution Press.
- . 1999. "Exceptional Exporter Performance: Cause, Effect, or Both?" *Journal of International Economics* 47 (1): 1–25.
- Bernard, Andrew B., and Joachim Wagner. 1997. "Exports and Success in German Manufacturing". *Weltwirtschaftliches Archiv* 133: 134–157.
- Bloom, Nicholas, Benn Eifert, Aprajit Mahajan, David McKenzie, and John Roberts. 2013. "Does Management Matter? Evidence from India". *Quarterly Journal of Economics* 128 (1): 1–51.

- Bloom, Nicholas, Aprajit Mahajan, David McKenzie, and John Roberts. 2020. "Do Management Interventions Last? Evidence from India". *American Economic Journal: Applied Economics* 12 (2): 198–219.
- Brambilla, Irene, Nicolas Depetris Chauvin, and Guido Porto. 2017. "Examining the Export Wage Premium in Developing Countries". *Review of International Economics* 25 (3): 447–475.
- Brambilla, Irene, Daniel Lederman, and Guido Porto. 2017. "Exporters, Engineers, and Blue-Collar Workers". *World Bank Economic Review* 30 (Supplement): S126–S136.
- . 2019. "Exporting Firms and the Demand for Skilled Tasks". *Canadian Journal of Economics/Revue canadienne d'économique* 52 (2): 763–783.
- Bresser-Pereira, Luiz Carlos. 2015. "Brazil's 35 Years-Old Quasi-stagnation: Facts and Theory", FGV São Paulo School of Economics Working Paper No. 399.
- Cahen, Fernanda Ribeiro, Somnath Lahiri, and Felipe Mendes Borini. 2016. "Managerial Perceptions of Barriers to Internationalization: An Examination of Brazil's New Technology-Based Firms". *Journal of Business Research* 69 (6): 1973–1979.
- Caldas, Bruno Breyer. 2012. "Uma análise por intensidade tecnológica das exportações brasileiras e gaúchas" [An analysis of exports from Brazil and the state of Rio Grande do Sul according to technological intensity]. *Indicadores Econômicos FEE* 40 (1): 45–56.
- Canuto, Otaviano, Matheus Cavallari, and José Guilherme Reis. 2013. "Brazilian Exports: Climbing Down a Competitiveness Cliff", World Bank Policy Research Working Paper No. 6302.
- Capozza, Claudia, and Marialuisa Divella. 2018. "Human Capital and Firms' Innovation: Evidence from Emerging Economies". *Economics of Innovation and New Technology* 28 (7): 741–757.
- Clerides, Sofronis K., Saul Lach, and James R. Tybout. 1998. "Is Learning by Exporting Important? Micro-dynamic Evidence from Colombia, Mexico, and Morocco". *Quarterly Journal of Economics* 113 (3): 903–947.
- Contractor, Farok J., and Susan M. Mudambi. 2008. "The Influence of Human Capital Investment on the Export of Services and Goods: An Analysis of the Top 25 Services Outsourcing Countries". *Management International Review* 48 (4): 433–445.
- Cooney, Paul. 2016. "Reprimarization: Implications for the Environment and Development in Latin America: The Cases of Argentina and Brazil". *Review of Radical Political Economics* 48 (4): 553–561.
- Cruz, Marcio. 2014. "Do Export Promotion Agencies Promote New Exporters?", World Bank Policy Research Working Paper No. 7004.

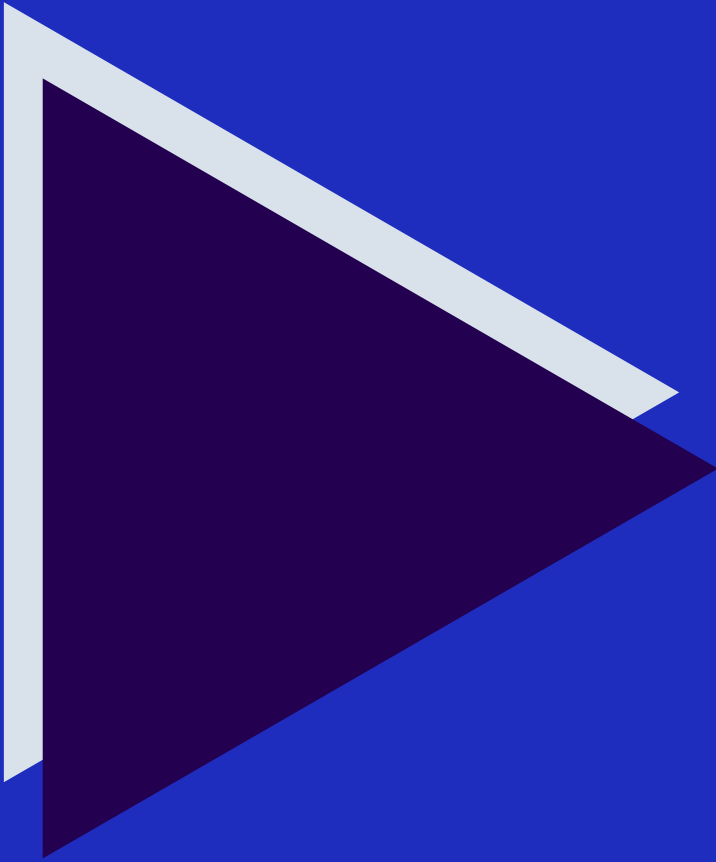
- Dengo, Normélio, and Carmem Ligia Iochins Grisci. 2003. “Universidades corporativas: modismo ou inovação?” [Corporate universities: fad or innovation?]. *Revista Eletrônica de Administração* 9 (5).
- Depetris Chauvin, Nicolas M. 2011. “The New Geography of Capital Flows”. Skolkovo Institute for Emerging Market Studies.
- Depetris Chauvin, Nicolas M., and Juan Carlos Hallak. 2020. “Good Exporting Practices: An Intervention Proposal for Ghana”. Mimeo.
- Dix-Carneiro, Rafael, and Brian K. Kovak. 2017. “Trade Liberalization and Regional Dynamics”. *American Economic Review* 107 (10): 2908–2946.
- Fischer, André Luiz, and Lindolfo Galvão de Albuquerque. 2005. “Trends of the Human Resources Management Model in Brazilian Companies: A Forecast According to Opinion Leaders from the Area”. *International Journal of Human Resource Management* 16 (7): 1211–1227.
- Fleury, Afonso, and María Tereza Leme Fleury. 2012. *Multinacionais Brasileiras: Competências para a Internacionalização*. Rio de Janeiro: Fundação Getúlio Vargas Editora. [English version: *Brazilian Multinationals: Competences for Internationalization* (Cambridge: Cambridge University Press, 2012)].
- Fortunato, Piergiuseppe, and Carlos Razo. 2014. “Export Sophistication, Growth and the Middle-Income Trap”. In *Transforming Economies: Making Industrial Policy Work for Growth, Jobs and Development*, edited by José M. Salazar-Xirinachs, Irmgard Nübler and Richard KozulWright, 267–287. Geneva: ILO.
- Goedhuys, Micheline, and Reinhilde Veugelers. 2012. “Innovation Strategies, Process and Product Innovations and Growth: Firm-Level Evidence from Brazil”. *Structural Change and Economic Dynamics* 23 (4): 516–529.
- Góes, Carlos, Alexandre Messa, Carlos Pio, Eduardo Leoni, and Luis Gustavo Montes. 2018. “Trade Liberalization and Active Labor Market Policies”. In Spilimbergo and Srinivasan (2018), 111–124.
- Gonzaga, Gustavo, Naércio Menezes Filho, and Cristina Terra. 2006. “Trade Liberalization and the Evolution of Skill Earnings Differentials in Brazil”. *Journal of International Economics* 68 (2): 345–367.
- Higuchi, Yuki, Edwin P. Mhede, and Tetsushi Sonobe. 2019. “Short- and Medium-Run Impacts of Management Training: An Experiment in Tanzania”. *World Development* 114: 220–236.
- Higuchi, Yuki, Vu Hoang Nam, and Tetsushi Sonobe. 2017. “Management Skill, Entrepreneurial Motivation, and Enterprise Survival: Evidence from Randomized Experiments and Repeated Surveys in Vietnam”. Working paper.

- Iacovone, Leonardo, William Maloney, and David McKenzie. 2019. "Improving Management with Individual and Group-Based Consulting: Results from a Randomized Experiment in Colombia", World Bank Policy Research Working Paper No. 8854.
- ILO. 2019. *Work for a Brighter Future: Global Commission on the Future of Work*.
- Kovak, Brian K. 2013. "Regional Effects of Trade Reform: What Is the Correct Measure of Liberalization?" *American Economic Review* 103 (5): 1960–1976.
- Lisboa, Marcos B., Naercio A. Menezes Filho, and Adriana Schor. 2010. "The Effects of Trade Liberalization on Productivity Growth in Brazil: Competition or Technology". *Revista Brasileira de Economia* 64 (3): 277–289.
- Marotti de Mello, Adriana, Wander Demonele de Lima, Eduardo Vilas Boas, Roberto Sbragia, and Roberto Marx. 2008. "Innovative Capacity and Advantage: A Case Study of Brazilian Firms". *Revista de Administração e Inovação* 5 (2): 57–72.
- Matsuyama, Kiminori. 2007. "Beyond Icebergs: Towards a Theory of Biased Globalization". *Review of Economic Studies* 74 (1): 237–253.
- Nassif, André, and Marta dos Reis Castilho. 2017. "Trade Patterns in a Globalised World: Brazil's Recent Trajectory towards Regressive Specialisation". Paper presented at 21st FMM (Forum for Macroeconomics and Macroeconomic Policies) Conference "The Crisis of Globalization", Berlin, 9–11 November 2017.
- Nassif, Maria Inês. 2011. "A economia está se reprimarizando?" [Is the economy becoming reprimarized?]. *Revista Desafios do Desenvolvimento* 8 (66): 40–46.
- O'Connell, Stephen D., Lucas Ferreira Mation, João Bevilacqua T. Basto, and Mark A. Dutz. 2017. "Can Business Input Improve the Effectiveness of Worker Training? Evidence from Brazil's Pronatec-MDIC", World Bank Policy Research Working Paper No. 8155.
- OECD (Organisation for Economic Co-operation and Development). 2020. *Going Digital in Brazil*, OECD Reviews of Digital Transformation. Paris: OECD Publishing.
- Oliveira, Susan Elizabeth Martins Cesar de. 2017. "Brazil in the Twenty-First-Century International Trade: Challenges and Opportunities". In *International Trade: On the Brink of Change*, edited by Anita Maček, 63–74. Rijeka, Croatia: IntechOpen.
- Peteraf, Margaret A. 1993. "The Cornerstones of Competitive Advantage: A Resource-Based View". *Strategic Management Journal* 14: 179–191.
- Rapini, Marcia Siqueira, Tulio Chiarini, and Pablo Felipe Bittencourt. 2017. "Obstacles to Innovation in Brazil: The Lack of Qualified Individuals to Implement Innovation and Establish University–Firm Interactions". *Industry and Higher Education* 31 (3): 168–183.

- Ribeiro, Fernando. 2009. “‘Reprimarização’ das exportações: onde está o problema?” [Reprimarization of exports: where is the problem?]. *Revista Brasileira de Comércio Exterior* 99: 2–3.
- Roberts, Mark J., and James R. Tybout. 1997. “The Decision to Export in Colombia: An Empirical Model of Entry with Sunk Costs”. *American Economic Review* 87 (4): 545–564.
- Rossi Junior, José Luiz, and Pedro Cavalcanti Ferreira. 1999. “Evolution of Brazilian Industrial Productivity and Trade Liberalization”. *Research and Economic Planning* 29 (1): 1–34.
- Sendin, Tatiana. 2013. “Gestão de desempenho não é rotular funcionários” [Performance management does not mean labelling employees]. *Exame*, 13 December 2013.
- Spilimbergo, Antonio, and Krishna Srinivasan, eds. 2018. *Brazil: Boom, Bust and the Road to Recovery*. International Monetary Fund.
- Tanure, Betania, and Roberto Gonzalez Duarte. 2006. “Leveraging Competitiveness upon National Cultural Traits: The Management of People in Brazilian Companies”. *International Journal of Human Resource Management* 16 (12): 2201–2217.
- Verhoogen, Eric A. 2008. “Trade, Quality Upgrading, and Wage Inequality in the Mexican Manufacturing Sector”. *Quarterly Journal of Economics* 123 (2): 489–530.
- Você RH*. 2019. “Por que estas 18 empresas estão entre as melhores para trabalhar no Brasil” [Why these 18 enterprises are among the best to work for in Brazil]. 17 December 2019.
- Volpe Martincus, Christian. 2010. *Odyssey in International Markets: An Assessment of the Effectiveness of Export Promotion in Latin America and the Caribbean*. Inter-American Development Bank.
- Volpe Martincus, Christian, and Jerónimo Carballo. 2012. “Export Promotion Activities in Developing Countries: What Kind of Trade Do They Promote?” *Journal of International Trade and Economic Development* 21 (4): 539–578.
- Volpe Martincus, Christian, Jerónimo Carballo, and Pablo M. Garcia. 2012. “Public Programmes to Promote Firms’ Exports in Developing Countries: Are There Heterogeneous Effects by Size Categories?” *Applied Economics* 44 (4): 471–491.
- Volpe Martincus, Christian, and Monika Sztajerowska. 2019. *How to Solve the Investment Promotion Puzzle: A Mapping of Investment Promotion Agencies in Latin America and the Caribbean and OECD Countries*. Inter-American Development Bank.
- Wernerfelt, Birger. 1984. “A Resource-Based View of the Firm”. *Strategic Management Journal* 5 (2): 171–180.

———. 1995. “The Resource-Based View of the Firm: Ten Years After”. *Strategic Management Journal* 16 (3): 171–174.

Yeaple, Stephen Ross. 2005. “A Simple Model of Firm Heterogeneity, International Trade, and Wages”. *Journal of International Economics* 65 (1): 1–20.



Chapter 3

The effects of megatrends on human resources management in the Russian Federation with reference to the ILO's human-centred agenda

Mikhail Grachev (*Western Illinois University and University of Iowa*)

Mariya Bobina (*Western Illinois University and University of Iowa*)

► Abstract

This chapter explores the major impacts of megatrends on Russian HRM practices with reference to the ILO's human-centred agenda for the future of work. It considers how the Russian historical, political and cultural context leads to variations in the effects of megatrends, and outlines practical solutions that large state-controlled companies, small and medium-sized enterprises and multinational enterprises operating in the Russian market have brought to recruitment and selection, training and development, work organization, motivation and the consolidation of HRM activities within enterprise-wide systems. The authors conclude that the role of “clusters” of Russian firms whose practices are consistent with the human-centred agenda and follow an “investment in people” approach has been steadily growing.

3.1 Introduction

Technological innovation, demographic shifts, environmental change and globalization are transforming the world of work and creating both opportunities and challenges for economic growth and prosperity. However, the impacts of these megatrends vary significantly across the BRICS countries owing to differences in the historical, political and cultural contexts in which businesses operate. The purpose of this chapter is to shed

light on the managing of people in organizations in the Russian Federation in response to megatrend effects.

After the collapse of the Berlin Wall in 1989 and the ensuing transformation of economic and social life in the former Soviet Union, Russian businesses have experienced fundamental changes in how they operate and how they manage human resources (Åslund and Olcott 1999; Puffer and McCarthy 2017; Adachi 2010; Michailova, McCarthy and Puffer 2013; Sachs and Pistor 2018). Although modern organizational HRM practices in the Russian Federation have been described and discussed in the literature (Domsch and Lidokhover 2017; Horwitz and Budhwar 2015; Shekshnia 2007) – in studies focusing both on domestic companies (Zavyalova, Kucherov and Tsybova 2017; Gurkov 2016; Gurkov and Settles 2013; Shulzhenko 2012; Gurkov and Zelenova 2011) and on multinational companies operating in the Russian market (Budhwar et al. 2017; Latukha et al. 2020; Novitskaya and Brewster 2016; Andreeva et al. 2014; Fey et al. 2009; Fey and Shekshnia 2008; Björkman, Fey and Park 2007; Grachev 2001) – general analyses of the effects of megatrends on HRM within the Russian context are few and far between.

To close this research gap, we explore the major impacts of megatrends on Russian HRM practices with reference to the ILO's human-centred agenda for the future of work. This chapter addresses variations in the effects of megatrends on the management of employees in organizations, and considers organizational responses to megatrends at a firm level that are distinctively shaped by the Russian historical, political and cultural context. From these angles, we explore and summarize practical solutions that large state-controlled companies, small and medium-sized enterprises (SMEs), and multinational enterprises (MNEs) operating in the Russian market have brought to recruitment and selection, training and development, work organization, motivation and the consolidation of HRM activities within enterprise-wide systems.

The analysis is based on a review of official government documents, publications in the Russian business media (such as the *Kommersant* and *Vedomosti* newspapers and the television channel RBK), scholarly articles and related secondary data, empirical studies, and interviews with business managers and entrepreneurs conducted by the authors in the Russian Federation in 2019–20. The findings presented here help to contextualize the impact of megatrends in the Russian Federation, bring to light best practices that are aligned with the ILO's human-centred agenda, and enable comparisons to be made with the HRM practices of other BRICS countries.

3.2 Megatrend drivers in the Russian Federation

The causal link between megatrends (namely technology, demographics, environment and globalization), on the one hand, and businesses' practical responses in the Russian Federation, on the other, highlights two different perspectives: the first focusing on the content of these megatrends, the other focusing on the context, that is, on the business environment shaping the effects of these megatrends. The combination of the two underlies

the country's tortuous path towards HRM solutions, which vary considerably in their effectiveness across state-controlled, private and international businesses operating in the Russian market.

3.2.1 Technological development and digitalization

Technological advances will be imperative for the Russian Federation's future success. Economic growth and social progress depend on businesses' ability to encourage new ideas, transform these into products or services and bring them to market. However, the Russian Federation displays certain deficiencies in innovative capacity. On the one hand, the country is known for outstanding technological breakthroughs in a number of industries, such as space exploration, nuclear power and defence, and for major discoveries in branches of science such as mathematics and physics. On the other hand, the commercialization of new ideas lags behind that in many other industrialized countries. This is evidenced by the fact that the World Economic Forum ranks the Russian Federation 22nd globally in the adoption of information and communications technologies (ICTs), 32nd in innovation capability and 39th in internet usage (Schwab 2019). To close this gap, it will be necessary to combine government efforts aimed at stimulating technological development in selected areas, including digitalization and ICT, with businesses' search for talent and the creation of motivating environments and organizational support for managing knowledge workers in organizations. Furthermore, success is contingent on overcoming obstacles to innovation stemming from limited resources and support for innovative projects, companies' narrow strategic focus, the rigidities of local business networks and weak external infrastructure to support innovation (Gurkov 2004).

A distinctive feature of the Russian Federation's pursuit of economic success is the Government's aggressive intervention in selected areas of technological development. Thus, it has supported the creation of innovation centres endowed with enormous funds from the state budget, such as Skolkovo (US\$2.3 billion over 15 years), the Russian Foundation for Basic Research (US\$2.1 billion) and Rusnano (US\$1.7 billion) (Sokolov 2021). In the 2010s, the Government declared innovation and ICT to be a national strategic priority and acknowledged that shortcomings in these areas could lead to a loss of sovereignty and push talented young people towards emigration. Two recent Presidential Decrees (No. 204 of 7 May 2018 and No. 474 of 21 July 2020) have set the goals of transforming half of the country's businesses into innovation-oriented enterprises and accelerating investment in digitalization. The national programme "Digital Economy of the Russian Federation" aims to treble resources from 2017 to 2024 for the creation of high-speed telecommunication and digital infrastructure, with a primary focus on healthcare, education, transport and the defence industry. The programme supports IT start-ups and domestic high-tech companies by offering preferential tax treatment and promoting technological parks as special economic zones across the country. The funding for the national programme includes US\$15.1 billion in direct allocations from the state budget and additional funds totalling US\$14.8 billion (Tsifrovaya Ekonomika n.d.).

These resources are combined with the companies' own investments in digitalization. According to a survey of over 100 leading Russian firms conducted in 2018 by KPMG (2019), more than a third were planning to invest at least US\$1.5 million in digitalization projects. However, many companies have yet to adopt an integrated digitalization programme and lack the necessary competencies and talent: only a third of the respondents had set up digital competence centres and just 16 per cent had established the executive position of chief digital officer.

While it provides support and resources to businesses to facilitate technological development, the Government imposes significant conditions on the use of these resources, especially in the areas of digitalization and ICT. Domestic firms are obliged to substitute foreign software with software "made in Russia", often at a higher cost; they are restricted in the use of media and communications servers located beyond the Russian Federation's physical borders and in the use of certain types of foreign technical equipment and software. Furthermore, the Russian authorities make every possible effort to restrict internet services that operate beyond their control. For example, they tried to block the social media platform Telegram, which had refused to surrender encryption codes to the Federal Security Service. Most recently, legislators called for fines and sanctions on foreign social platforms such as Twitter, Facebook and YouTube if they limited access to or censored official government information, and also on companies using foreign satellite communication systems, such as OneWeb or SpaceX, instead of Russian satellite systems controlled by the intelligence services.

Digitalization and ICT are putting pressure on the Russian labour market, demanding greater availability of competencies in such new areas as cloud services, data analytics, e-commerce development and online education. However, the Russian Federation's tendency to adopt certain technologies from the West, rather than developing its own, and to seek to minimize risk in technological development has resulted in the country's lagging behind global trends by around two years (Agapov, Yakovlev and Pratushevich 2014) and in Russian companies offering less attractive working conditions and lower compensation of talent for employees in the digital sector than do their Western counterparts. Furthermore, while the rapid development of remote work enables Russian IT specialists to access overseas jobs, these employment practices are leading to a shortage of skilled workers in the domestic job market. For individuals, studying at Western universities to acquire advanced skills and, for companies, attracting workers with international experience (including experience in ICT-related disciplines) are also becoming much more complicated as a result of greater restrictions on cross-border professional mobility and the growing cost of studying abroad due to devaluation of the rouble.

The challenges in attracting digital skills are reflected in the gap between the 45,000–60,000 specialists generated annually by the Russian higher education system and the labour market's estimated demand for over 100,000 new ICT employees, especially given the need for skills in new areas like artificial intelligence and the emergence of promising new professions such as big data model designers, cyberdetectives, digital

linguists and information system architects (ASI and MSM Skolkovo 2015). Accordingly, the Government is strongly prioritizing and supporting higher education institutions' ICT-related programmes based on federal standards. For example, despite reducing the number of free tuition places at universities by 17 per cent from 2019 to 2024, the Government intends to increase the annual state-budget-supported enrolment in ICT-related disciplines to 120,000 over that period, which will be around a fifth of all government-sponsored university places (Interfax 2019).

Success in harnessing the benefits of digitalization and ICT varies significantly among the key clusters of companies, depending, to a great extent, on their access to state-administered or foreign resources and programmes. According to a survey of Russian private companies conducted by PricewaterhouseCoopers in 2019, the major obstacles to the adoption of new technologies are a lack of financial resources (54 per cent of responses), staff's excessive workload (24 per cent), cybersecurity risks (20 per cent), an organizational culture that is resistant to change (19 per cent) and inefficient HRM as reflected in a lack of relevant competencies (18 per cent) (PwC 2019, 9, fig. 5). These obstacles account for the digitalization gaps between the large state-run companies that dominate key industries, a separate group of high-tech start-ups that attract young talent and distance themselves from traditional bureaucratic practices, and the remaining group of Russian companies that have a limited or even diminishing ability to adopt new technologies in times of recession.

The subsidiaries of MNEs in the Russian Federation make up a separate cluster of businesses that are able to capitalize on technological advances. Thanks to their having access to centralized R&D in their home countries, the cross-pollination of innovative ideas across national borders, and the financial and intangible resources at their disposal worldwide, they can make use of solutions and information platforms that are beyond the reach of local Russian firms and can therefore gain a competitive advantage in the Russian market. However, these subsidiaries also have to reckon with restrictions on their use of ICTs (servers, networks, storage of information and so on) that are imposed by the Government.

Those Russian firms that are able to reap the benefits of digitalization and ICT obtain from new technologies effective HRM tools that integrate data management, paperless workflows, evaluations and other personnel-related activities. These firms favour the Business Technology Platform developed by the German company SAP, which offers database and data management, application development and integration, analytics and intelligent technologies. The most popular areas of such "digital HR" tools, which combine personnel management with the advantages of digitalization, are automation, analytics, marketing, recruitment and training (Odegov, Malakhova and Garnov 2018; Evseeva et al. 2019).

Digitalization and ICT have on the whole a strong positive impact on evolving Russian HRM practices. Government policies play an important role in shaping innovation, digitalization and ICT development in the Russian Federation, but it is state-run companies and MNEs that are benefiting the most. In contrast, the larger group of traditional Russian

medium-sized companies and SMEs lag far behind in their access to advanced technologies and associated resources.

3.2.2 Demographic trends

The Russian Federation has the intellectual capacity – as evidenced by its high literacy rates and educated workforce – to sustain and benefit from a “knowledge economy”. However, its ability to attract talent and develop competencies that would support accelerated economic growth has been challenged by a severe demographic crisis and unfavourable trends in cross-border migration.

The crisis is due to a combination of factors, notably the demographic shockwaves of the Second World War, a substantial drop in human reproduction in the 1960s and 1990s and the ineffectiveness of government initiatives to reverse negative trends. It is reflected in the shrinking of the Russian population from 148.6 million in 1993 to 145.9 million in 2021. According to a pessimistic forecast by the United Nations, there will be further depopulation to 124 million by 2050. Official Russian data indicate that life expectancy at birth has risen from 64.0 years in 1994 to 72.9 years in 2018; however, the Russian Federation still lags behind the most industrialized countries on that score and behind China and Brazil in the BRICS group. There is also a significant gender gap, life expectancy among men being 68.9 years, compared with 78.6 years among women.

The effects of the demographic crisis have manifested themselves in a decline of 21.7 per cent in the number of secondary school pupils between 2000 and 2017 and a drop in the number of students in higher education from 7.4 million in 2009 to 4.3 million in 2019 (a 40 per cent decrease). The crisis has also translated into a projected acceleration in the decline of the labour force, which will lead to additional pressure on the pension system.

These labour market problems are exacerbated by the Russian Federation's disadvantageous situation in terms of migration flows. The outflow of skilled labour, mostly to the West, cannot be compensated for by the inflow of lower-skilled migrants, mostly from the former Soviet republics. Many educated workers regularly express an interest in taking up higher-paying jobs in other countries. For example, in a survey conducted in 2020, 21 per cent of respondents said that they were willing to move to a different country, more than half of people under the age of 24 falling into that group (Levada Center 2021). According to the Russian Academy of Sciences, the annual outflow of scientists and academics increased almost fivefold from around 14,000 in 2012 to almost 70,000 in 2020 (Interfax 2021). Given that up to 70 per cent of emigrants are people with a high level of education, this “export of intellect” was described as “unacceptable” by Prime Minister Dmitry Medvedev (RBK 2017). In contrast, only 13 to 17 per cent of immigrants have a higher education degree, hence an imbalance in migration flows.

Population ageing, declining birth rates, imbalanced migration flows, poor healthcare, minimal government support for maternal care and childcare, and alcoholism and

smoking habits are deepening the demographic crisis. In 2020, President Putin admitted that the country was entering a “very difficult demographic period”, as reflected in a declining fertility rate, and declared demographics to be a “national strategic priority”, placing an emphasis on increasing life expectancy, lowering poverty levels and providing financial support for large families.

In an attempt to tackle this crisis, the Government launched a programme in 2007 providing an allowance to parents having their first child; however, parents could only use it to cover housing and education costs or as part of their pension savings. Furthermore, in 2019, a pension reform raised the retirement age from 55 to 60 years for women and from 60 to 65 years for men (although military personnel and police officers were exempted) with a view to easing the pressure on the state pension fund and sustaining an active older population in the labour market. To mitigate the negative effects of the demographic crisis, the Government has also been pursuing an active migration policy by attracting skilled workers from abroad, particularly from former Soviet republics, simplifying the naturalization procedure for Russian-speaking people and offering incentives for foreign students to study at Russian universities.

Although the demographic crisis may not have a critical impact on state-owned and private businesses in the short run, the long-term trends and projections present a bleak outlook for the future composition of the labour market and, hence, for the availability of talent for innovation and of the resources to compete in international markets. This will pose unprecedented challenges for Russian businesses when it comes to finding, allocating, retaining and using creative and productive human resources – challenges that are compounded by the structural deficit in certain segments of the labour market, especially those related to digitalization and ICTs. The crisis is forcing companies to engage in fierce competition over prospective new employees and is increasing the cost of recruiting and selecting skilled workers, notably through additional costs incurred in outsourcing personnel services or retaining ageing and less productive workers to comply with government requirements. Companies also face demographic challenges in terms of having to reskill older workers or offer partial retirement options. Overall, we find that demographic trends have a strong negative impact on evolving HRM practices.

3.2.3 Environmental challenges

Rather than proactively developing sustainability policies, many Russian companies typically respond reactively to environmental challenges. Furthermore, while the Government has long since ratified the Paris Agreement on Climate Change, participates in the Kyoto Protocol mechanism to mitigate greenhouse gas emissions (albeit to a limited extent) and links its Climate Doctrine to national security, coordinated climate policy efforts and sustainability-based principles for the operation of businesses are only now beginning to emerge. It was not until recently that a number of leading banks and major companies started linking investment risk assessments to the effects of climate change.

The demand for relevant competencies and HRM responses is therefore limited among specific industries and businesses that could potentially be or actually have been harmed by ecological disasters, pollution or the campaigning of activist groups. A relatively small group of large Russian multinationals, along with foreign-headquartered MNEs operating in the Russian Federation, have established personnel management practices that comply with internationally recognized sustainability standards. However, most Russian businesses are still far from rigorously striving for sustainable development and searching for relevant talent and HRM arrangements.

Climate change is having mixed effects on the Russian economy. On the one hand, global warming brings some advantages, as evidenced by new opportunities for transport in the Arctic or the opening up of new arable lands. On the other hand, the negative effects include but are not limited to damage to oil and gas infrastructure in the north, agricultural problems due to widespread droughts, and the destruction of forests by large-scale fires. The ensuing damage to the Russian economy, as assessed by President Putin, could be as high as 6 per cent of GDP (Interfax 2016). These problems are amplified by the warming rate in the Russian Federation being 2.5 times higher than the world average owing to the country's size, geography and wide range of climatic conditions. Pollution and waste problems are worsening in the major metropolitan areas, such as the Greater Moscow region, and in mono-industrial cities with economic structures inherited from the Soviet era, such as nickel-producing Norilsk.

Industrial development in the Russian Federation is susceptible to major ecological disasters because of frequent non-compliance with or deviations from technological standards, a high level of corruption, and a lack of adequate environmental accountability and competencies in environmental management. The deteriorating situation is illustrated by the scandals in recent years over the disposal of nuclear waste in Moscow, public opposition to the importing of nuclear waste from Germany for processing in the Sverdlovsk region, environmental catastrophes at oil and gas production facilities in the cities of Ukhta and Nakhodka, the pollution disaster in Norilsk and the phenomenon of black smog in the major industrial centre Krasnoyarsk.

These numerous industrial accidents with potentially life-threatening consequences point to the ways that environmental and social damage, the inefficient use of natural resources and the continual expansion of energy-intensive industries are impeding economic development in the Russian Federation (Andreassen 2016, 78). For example, in the mining region around the towns of Apatity and Kirovsk in the north-west of the country, experts have noted the low transparency of phosphate fertilizer production operations, how local critics are essentially powerless, how corporate policies are not connected to the life of the community and how businesses often hire cheaper workers from other regions of the country, thereby exacerbating local unemployment. Environmental unsustainability and high health risks are a major concern among local inhabitants and are driving out-migration from the region (Suopajärvi et al. 2016).

Sustainability is a critical social issue in mono-industrial cities where communities depend heavily on certain core products. The sustainability concept, which was “ignored by business” and “totally neglected” by the Government in the 1990s (Andreassen 2016, 84), came to the fore in the 2000s in connection with the extraction and processing of mineral resources in the Russian Arctic energy industry. A study of forest management projects in the Komi and Pskov regions revealed that, despite the positive contribution of foreign (Finnish) operators and the transition of businesses to a multi-stakeholder collaboration model, there was “a fragile governance system at the national level ... with badly functioning institutions, non-existent property rights, and corruption and low levels of social capital” (Elbakidze et al. 2010). The Government and the media have accordingly begun to raise awareness about such issues as safe industrial operations and transport, energy and environmental security, modernization of the Northern Sea Route, the importance of minimizing industrial waste, and addressing the needs of indigenous populations.

While businesses' responses to environmental challenges are mainly reactive, some large firms – chiefly in industries such as agriculture, mining and transport (Russian Railways) – are supporting public information centres for environmental matters, running community-oriented educational programmes and promoting business compliance with the sustainability-informed ISO 14001 and ISO 14004 international quality standards. For example, Norilsk Nickel recently committed to spending over US\$6 billion on environmental projects. Furthermore, the company is recruiting new employees with specific skills and competencies enabling them to contribute to projects in such areas as the green economy, renewable energy, environmentally friendly biotechnology and recycling.

However, the availability of graduates from Russian higher education institutions with relevant skills is still low: around 20,000 who have specialized in environmental studies and 30,000 who have specialized in forestry. Russian experts also admit that the market for competencies in environmental technologies is “poorly developed” (Kiseleva and Makolova 2019, 9). The Federal State Educational Standards (applicable to higher education) and university admission quotas reflect “an extremely narrow approach to the interpretation of the concept of sustainable development as a biological and geographic problem”. Moreover, Russian experts admit that the National Education Strategy for Sustainable Development has not been properly linked to the Russian educational system (Kankovskaya 2016, 452).

Nevertheless, centres for innovative research and the dissemination of advanced practices in environmentally oriented management have been set up at higher education institutions, often in collaboration with businesses that comply with sustainability standards. Some universities support students who show proficiency in the development of environmental solutions and technologies. The aforementioned centres are fostering the coalescence of environmental management and digitalization, as in the agricultural sector, where this is helping to optimize waste control, reduce the costs of fuel waste processing and protect the environment.

Environmental factors generally have a weak positive impact on evolving HRM practices in the Russian Federation, though there are some industries and companies that are directly tackling environmental challenges and the consequences of climate change.

3.2.4 Globalization effects

“Globalization” refers to the integration of and interconnectedness among economies and societies; its mixed effects manifest themselves in the Russian Federation too. On the one hand, this post-Communist country has made visible efforts in advancing international trade and investment and has participated in numerous global activities, including political collaboration in multilateral institutions, inbound and outbound foreign direct investment (FDI) flows, and initiatives to tackle transnational problems such as climate change or international terrorism. On the other hand, the Russian Federation's march towards globalization stalled after the 2008 financial crisis owing to the dynamics of global oil markets and its weakened currency; it has been further challenged by external international pressures and sanctions following the 2014 crisis in Crimea and the situation in eastern Ukraine. The encouraging economic growth of the 2000s (with a rate of about 7 per cent), driven by the country's advantageous position in oil and gas markets, changed to stagnation in the 2010s (1.3 per cent in 2019). While the specific economic effects of the COVID-19 crisis are not yet clear, the country is likely to enter a deep recession in 2021 and beyond.

Over the past twenty years, the Russian political leadership has expressed mixed support for globalization. Recently it has shifted its policies significantly further towards multipolarity, economic sovereignty and isolationism. The implications of this striving for greater self-sufficiency and economic nationalism may be seen in a decline in exports (a drop of 6.6 per cent between 2012 and 2017) (Russian Federation, MED 2019), even though crude oil and petroleum still account for nearly half of total exports, and in a decline in imports (–7.3 per cent over the same period), and in low inward FDI (which averaged 1.3 per cent of GDP during 2014–18). Russian companies possess implicit or explicit advantages over international competitors in the domestic market and, over the past decade, foreign investors have been fleeing the country, FDI outflow in 2018 exceeding US\$1 billion and in 2020 reaching US\$4.8 billion (*Novaya Gazeta* 2018; Finanz.ru 2021). Many well-known multinational firms, such as ConocoPhillips, Honda and General Motors, have left the Russian market, and the country's deteriorating FDI attractiveness is accompanied by a rapidly growing exodus of expatriates, both professionals and managers.

As a result of the recent FDI outflows from the Russian Federation, MNEs are losing their ability to influence the dissemination of effective HRM practices. However, some multinationals continue to perform successfully in the Russian market, primarily in retail (Auchan, Leroy Merlin, IKEA, Metro Group), car manufacturing (Toyota, Volkswagen Group, Kia Group), food manufacturing (PepsiCo) and the tobacco industry (Philip Morris International, Japan Tobacco International). Their localization strategies – combined

with selective tax breaks, government incentives, the creation of special economic zones and simplified contractual procedures – and their ability to transfer organizational and management know-how across borders to their Russian subsidiaries are having a significant impact.

Political impediments to innovative development are reflected in the enforcement of ownership and standards in the ICT sector with regard to domestic software, data storage and internet controls. Restrictions have also been applied to the cross-border movement of people: about 5 per cent of the adult population, namely members of the military, police and security services and government officials, are forbidden to travel abroad or require special permission to do so. Thus, certain Russocentric economic policies are leading to readjustments in existing global supply chains and limiting the Russian Federation's access to foreign markets and to multinational companies' technological competencies.

The most recent shock to the Russian economy was triggered by the global health crisis, which has impacted on manufacturing supply chains, stalled cross-country migration and harmed globally oriented industries such as transport and tourism. While digitalization and ICTs have helped to mitigate the negative economic effects of the pandemic by enhancing communication and enabling a shift towards distance work and learning, it has also been possible to observe accelerated downsizing of business organizations, the elimination or falling into obsolescence of certain professional groups, and an increase in demand for retraining and career changes (Kuzminov 2020).

Not only have political and economic factors distanced the Russian Federation from its foreign partners, but the country's cultural idiosyncrasies have also created additional barriers in cross-border interactions (Grachev 2009; Grachev, Rogovsky and Rakitski 2007). Modern Russian cultural practices are often tinged with vestiges of the Soviet past, such as conformity, the perception of a hostile international environment, the State's supremacy over individual goals, and a relativistic view of morality leading to double standards in certain aspects of life. This may explain the general public's widespread scepticism towards various megatrends. For example, according to credible national surveys by the Russian Public Opinion Research Centre, 70 per cent of respondents see the current global situation as "negative", about half of the Russian population does not believe in global warming and a similar percentage of Russians do not trust government statistics on COVID-19.

Cultural frictions delay the acquisition of effective international management techniques, particularly in the HRM area, or lead to the misinterpretation of tools when these have not been tailored to the national context or language. Furthermore, cultural attributes influence the institutional environment in which Russian companies operate, notably with regard to corruption and business ethics.

Our overall conclusion is that anti-globalization policies are having a moderate negative impact on evolving personnel management practices in Russian companies and are limiting the effectiveness of HRM development.

To sum up: megatrend drivers, namely technological advancements, demographics, changes in the environment and globalization are creating both opportunities and challenges for Russian businesses and multinational companies' subsidiaries operating in the Russian Federation and have an impact on the development and effectiveness of HRM policies and systems at the firm level. Our analysis of the effects of megatrends suggests that digitalization and ICTs are the most powerful driver shaping Russian HRM practices positively. Demographics has a strong negative effect; changes in the environmental situation are leading to limited reactive approaches to personnel management; and politically driven counter-globalization is undermining the competitiveness of Russian companies and pushing multinationals out of the country, further restricting the efficiency of HRM systems. However, the constellation and evolution of the business environment are distinctively shaping managers' interest in, and available resources for, advancing the human-centred agenda in their organizations. No other BRICS country has experienced such profound changes in its economy and society in so short a period of time. The Russian Federation's response to megatrends and their associated risks as reflected in the transformation of HRM practices should, therefore, be examined in relation to those broader changes in the country's political, social and cultural context.

3.3 The effects of megatrends on HRM practices in the Russian Federation

Technological, demographic, environmental and globalization-related megatrends are having complex and mixed impacts on Russian corporate practices, and particularly on the effectiveness of HRM. While some of these impacts militate against the adoption of a human-centred agenda, others create opportunities for greater productivity, social inclusion, sustainability and human development. The present section summarizes businesses' responses to megatrends and highlights the modern search for effective HRM in the Russian Federation. It describes the evolution of Russian firm-level practices in HRM (3.3.1); presents advances in specific functional areas such as recruitment and selection, training and development, motivation and work organization (3.3.2); and discusses the search for an integrated approach to corporate HRM that is well aligned with competitive business models (3.3.3).

3.3.1 Evolving HRM practices in the Russian Federation

Over the past four decades, firm-level HRM practices in the Russian Federation have evolved in response to radical changes in the country's economy and society. Their evolution reflects in particular the transformation from a state-run, centrally planned economic system, through the chaotic emergence of private enterprise and competitive markets in the 1990s, to the institutionalization of the economic environment in the 2000s with powerful state-controlled companies in key industries. Since the 1990s, modern HRM theories and practices have begun to be disseminated among the growing corps of

managers who have acquired competencies in effective personnel management derived from the transfer of international managerial know-how and the rapid development of domestic skills.

These processes have been accompanied by an expansion of the State's role in institutionalizing and standardizing the labour market and labour relations. The system of government norms regulating the world of work was consolidated with the adoption of the Russian Labour Code in 2002. It established the rights of employees and employers and made labour regulations mandatory across the country, thereby complementing the legislation on minimum wages, health and safety, labour disputes and other aspects of managing people in organizations.

With regard to effective HRM practices in the Russian Federation, there are grounds for both pessimism and optimism. On the one hand, studies have pointed to the high levels of state intervention in working practices, inadequate unemployment protection, the significant number of arbitrarily defined bonuses, low rates of unionization, the low quality of jobs, challenges in diversifying the workforce and the lack of funding for training and development (Gurkov and Zelenova 2011; Gurkov and Settles 2013). On the plus side, best practices for managing people in organizations have been identified in certain business clusters (Zavyalova, Kucherov and Tsybova 2017) as tallying with the ILO's human-centred agenda.

Analysis of business practices in the Russian Federation allows one to establish a typology of HRM strategies in firms (Fey and Björkman 2001; Buck et al. 2003). The first distinctive type is a *traditional model* rooted in the Communist era and characterized by narrow, technology-specific training, government-driven wage control and remuneration, direct subsidies in the form of social benefits, and high job security with hidden unemployment. The second type of HRM strategy is a pragmatic *cost-minimization model* that involves a reduction in training expenditure, individual performance-based remuneration, a lack of job security, and divestment in social welfare. The third type is a *human resource investment model* that provides a wide range of training, uses bonuses and profit-sharing incentive schemes, provides medium-level job security and avoids direct subsidies. In our subsequent discussion we focus on corporate practices that exemplify the last of these models – more precisely, on companies that successfully incorporate technological advances into HRM; facilitate decent and sustainable work, lifelong learning and development; and support work transitions through long-term investments.

A survey of the top 41 Russian companies (Zavyalova, Kucherov and Tsybova 2017) – the majority of which may be assumed to represent the third model and are known as “investors in people”, including 14 that were on the 2014 Forbes Global 2000 ranking – reveals a general policy of involving several categories of employees in decision-making through the delegation of responsibilities, advanced communication and the inclusion of line managers in planning. Senior managers in charge of HRM departments are actively engaged in the design of their organization's corporate strategy. These companies often use

multiple external channels for recruitment, including headhunters, partnerships with educational institutions, and training programmes that are tied to strategic objectives and are assessed on the basis of employee involvement. Statistical evidence points to a positive association between, on the one hand, the policies pursued by such companies to ensure the efficient use of human capital and, on the other, their international competitiveness (Zavyalova, Kucherov and Tsybova 2017).

The advances in management practices in response to megatrends at businesses that follow the HR investment model and are aligned with the ILO's human-centred agenda are further examined in the next subsection for each of the key HRM subfunctions.

3.3.2 Advances in personnel management

Megatrends influence all areas of HRM; however, in the Russian context, their effects are most visible in the ways that business organizations recruit, select and retain talent, how they train and develop their valuable employees and how they promote work organization and create a motivating working environment.

Recruitment and selection. Two significant interconnections between megatrends and businesses' search for productive employees have been emerging in the Russian Federation in recent years. First, the negative effect of the demographic situation on the labour market is prompting successful companies to integrate more deeply into the higher education system so as to secure a supply of talent. Second, the advantages of digitalization and ICTs enable companies to access a broader range of potential applicants and accelerate the screening and hiring process. Additionally, many companies are outsourcing recruitment to professional firms that can harness technological advances and networking for this task.

While the demand for innovation-driven competencies is growing, Russian higher education, despite the strengthening of government support, still lags behind in fulfilling such competencies, and companies competing for talent are creating their own channels to find and select prospective employees (Muratbekova-Touron, Kabalina and Festing 2018; Kucherov and Manokhina 2017; Holden and Vaiman 2013). In their search for quality graduates from Russian universities, resourceful domestic companies and MNEs are establishing long-term partnerships with higher education institutions.

The leading Russian firms offer internships at their research, production and marketing facilities, support the development of customized study programmes at universities, and organize or sponsor conferences and other events for talented students. For example, in 2017, the high-tech firm MegaFon, one of the leading providers of telecommunications services in the country, decided to prioritize long-term cooperation with higher education institutions as part of its search for prospective new employees capable of creating novel digital products. It established a digital laboratory called "5G Dream Lab" at a leading

university in Saint Petersburg, encouraged the teaching staff there to adjust and customize IT courses and offered students internships at its various facilities.

Multinational companies are similarly establishing academic partnerships with Russian higher education institutions. For example, the Chinese telecommunications giant Huawei runs an ICT Talents Joint Cultivation Programme at more than ten leading universities in the Russian Federation, providing lectures, workshops, grants and internships for talented students. Moreover, elements of its ICT Academy programme are included in the curricula of 34 higher education institutions in the country.

In advancing business–education partnerships, some companies are moving beyond bilateral relations with higher education institutions and are, instead, building network structures with external stakeholders such as government agencies and non-governmental organizations (NGOs). For example, the hydrocarbon-processing company Lukoil-Perm established a tripartite consortium with the regional Government and a polytechnic university to develop a quality workforce for the oil and gas industry.

The process of recruitment and selection has become more diverse and complicated as a result of the availability of new ICT and digital solutions. Successful large Russian companies and MNE subsidiaries use robots, crowdsourced recruitment, artificial-intelligence-powered platforms, voice bots, messaging apps and social networks for HR operations. Although most of these advanced HR tools have not been widely adopted yet, the use of digital solutions for HRM in the Russian Federation “is gradually changing from an experimental approach to a focused one” (Evseeva et al. 2019, 152), which means that the tools in question have passed the trial stage in the R&D process and are entering the dissemination stage.

Creative software applications have recently been incorporated into recruitment and selection practices. For example, Robot Vera, originally developed by the Russian software company Stafori, is a specialized online recruitment platform that connects HR agencies with employers and, according to its creators, is ten times faster than humans, helping employers to reduce recruitment costs by 50 per cent. Equipped with voice recognition software and drawing on a corpus of more than 13 billion words and combinations, this robot recruiter interacts with humans, recognizes certain emotions and can simultaneously interview hundreds of candidates. It is used by companies such as the X5 Retail Group and Coca-Cola HBC Russia in their recruitment processes.

Large companies, such as the leading financial institution Sberbank, find, screen and select job candidates with the help of artificial-intelligence-powered automated screening calls and video interviews with face and voice recognition. The Megapolis Group, a conglomerate with a strong presence in the textile, chemical and energy industries, claims that it has increased the speed of recruitment sevenfold by using such applications. In their quest to find the best candidates, some firms are using messaging apps and social networks, adopting voice bots and voice virtual assistants, and setting up comprehensive applicant-tracking systems. Industry leaders such as

Megafon, Sberbank and Gazprom Neft are experimenting with universal platforms based on artificial intelligence that make it possible to conduct automated searching and preliminary assessments of candidates, video interview recordings, security checks and bidding.

Other companies are exploiting the opportunities of communication technologies for the recruitment process; some are using crowdsourcing (that is, gaining access to a large number of people via the internet), which enables a division of tasks in the selection of talent. For example, with the help of the Witology platform, the State Atomic Energy Corporation “Rosatom” gains access to candidates from hundreds of universities in numerous cities, is able to observe their behaviour and ability to solve complex problems and then duly evaluates and selects promising scientists and engineers. Similar approaches have become popular among private firms like the Soglasie insurance company, and even in regional administrations in Moscow and Khanty-Mansiisk. Some companies are capitalizing on the benefits of instant messaging apps: for example, Metalloinvest, which is using the software developed by Luxembourg-based and Japanese-owned Rakuten Viber to develop its personnel management system, or Mail.ru, which is using Russian social media platforms for the same purpose. Finally, resourceful companies like Rostelecom are setting up digitized recruitment systems using their own customized mobile apps.

Russian businesses with HRM proficiency not only rely on their in-house recruitment systems but also actively outsource such tasks to specialized headhunting firms. These firms have detected a growing interest in generalists with “soft” skills, rather than narrow specialists, as prospective candidates, along with an increased demand for temporary workers. While digital skills remain their main focus, they have also noticed a decline in recruiters' interest in hiring new employees in several service sectors, such as retail, hospitality and food services, due to downsizing and restructuring campaigns initiated in the wake of the unfavourable current economic situation in the Russian Federation and the COVID-19 pandemic.

Training and development. Corporate training and development practices in the Russian Federation have been markedly influenced by several megatrends. Digitalization is transforming channels for the delivery of training and for assessment; the demographic situation is increasing the importance of development to retain employees; and globalization impacts on the content and cross-border transfer of advanced HRM know-how.

International scholars have noted that employee development may be of even greater significance in the Russian Federation than in the West (Fey and Björkman 2001), and training has also been declared to be a critical factor for the success of multinational companies operating in the Russian market (Björkman, Fey and Park 2007, 434). However, training and development tools and programmes, whether in-house or outsourced, vary greatly in quality, ranging from high-end programmes offered by leading educational institutions with a strong input of Western know-how to inferior training products

offered by trainers who lack a basic knowledge of psychology and sociology and simply replicate generic management manuals.

The effectiveness of training programmes in a business environment also varies significantly. On the one hand, the best corporate training practices include customized in-house courses, the outsourcing of training activities to external professional centres, and the use of advanced technologies in the training and development process. Digitalization makes it possible for distance-learning tools to be incorporated into a learning environment, while online training combines new and customized programmes delivered through mentoring, personalized learning and adaptive learning using artificial intelligence, complemented by the digitized evaluation of learning effectiveness. On the other hand, SMEs in traditional industries typically show limited interest in training innovations because of their short-term strategic horizon in the stagnating Russian economy and their lack of sufficient resources for long-term investment in lifelong learning.

Furthermore, although training has traditionally been perceived by Russian companies as an important tool for employee development and retention, it is not coupled strongly to the evaluation of employees' performance. A survey of 24 manufacturing companies (Kucherov and Manokhina 2017) revealed differences in training effectiveness between long-term and high-cost programmes, on the one hand, and short-term and low-cost programmes, on the other: trainees are evaluated on the basis of behaviour and performance levels in the former and on the basis of their perceived attitude in the latter. Despite their intention to comply with MNEs' high standards and the availability of basic online tools and software, Russian domestic companies often perceive training evaluation as "a useless procedure not creating value for the organization" (Kucherov and Manokhina 2017, 139).

Since the 1990s, there has been an enormous inflow of management know-how into the Russian Federation from the West through publications, higher education programmes and professional networking. The Russian cultural context and linguistic issues in translating from English as the dominant business language have made this transfer extremely challenging. For example, business consultants advising the innovative NBD-Bank admitted that applying foreign methods required in-depth adaptation, making the final product "50 per cent different from the original". In that respect, MNE subsidiaries, which are able to capitalize on their international experience in training and development, find themselves at an advantage, but their trained employees become attractive targets for poachers from other companies afterwards.

Digitalization and ICTs have created a market for learning management systems that offer collaboration tools, communication features, real-time content-sharing and course delivery. Russian businesses prefer to use either free applications (Moodle) or modules (WebTutor, GetCourse), together with cloud-based solutions (Teachbase) and plug-ins for WordPress (Memberlux), to create a learning portal on an ordinary website. All in all, the industry leaders have resources and access to diverse online training tools and channels.

Work organization and motivation. Historically, Russian industrial enterprises have actively engaged in searching for efficient forms of work organization. During the Soviet era, these efforts were driven by government-backed research and effective nationwide dissemination of best practices, such as the organization of work teams (*brigady*) in manufacturing or production process optimization at large agricultural farms. However, the transformation of the economy in the post-Soviet decades has shifted the centre of gravity in this endeavour from statewide campaigns to business-level situational improvements. Engineering-based approaches still dominate organizational development, with a major focus on efficiency, often at the expense of job enrichment and recognition. International experts have argued that work organization in Russian industrial enterprises depends heavily on standardized job designs and that it will take some time for them to move on from their inherited obsolete work organization patterns (Horie 2014).

A major change in work organization was triggered most recently by a combination of digitalization and the global health crisis due to the COVID-19 pandemic. An online and remote format of work was adopted in different industries on a massive scale. However, this transformation is perceived differently by managers and employees. A survey of senior managers from large Russian companies indicated that 75 per cent assume that the productivity of those switching to online work is declining and that it is more difficult to manage those employees effectively. In contrast, more than 50 per cent of employees surveyed are comfortable with online work and 19 per cent intend to discuss with their supervisors a permanent transition to such working arrangements.

The motivational practices that are typically used in the Russian Federation nowadays reflect a transition from a historical emphasis on collectivism to individualism, a focus on pay-for-performance tools and the prioritization of short-term economic drivers in employees' expectations. Multiple surveys attest to the dominance of materialistic thinking and pragmatic expectations among employees. Significantly, compensation for work in the Russian Federation is low, the median monthly salary across the country being under US\$500 (RBK 2019). Additional stimuli such as profit-sharing, gain-sharing, service rewards, seniority increases and real pay adjustments are rare. According to a large-scale survey (Gribanov 2019), 93 per cent of employees expect fair remuneration and 66 per cent desire bonuses. However, benefits play a relatively less important role in motivating employees. In the same survey, life insurance was deemed important by just 41 per cent of respondents and childcare support by a mere 5 per cent. The survey revealed a change in the rewards structure from the previous year, with a growing role of bonuses (from 39 to 52 per cent) and a decline in the share of employees receiving benefits (from 39 to 27 per cent). Significantly, 22 per cent of respondents stated that in their companies no other rewards had been offered in addition to ordinary remuneration.

The general trends in motivation that prioritize pay and diminish the role of non-monetary stimuli clash with the expectations of specific employee groups such as young professionals, especially in the digital and ICT areas. Studies have found that, in the early stages of their careers, many young Russian specialists focus on learning and

development at the expense of higher incomes and job security (Muratbekova-Touron, Kabalina and Festing 2018, 449). Furthermore, experts advising successful companies have recommended that these adjust their rewards systems by devoting attention to employee recognition and channelling some of their profits into health programmes (Gurkov and Settles 2013).

3.3.3 Creating company-wide integrated HRM systems

HRM practices at successful Russian companies that are “investors in people” bridge prospective organizational needs and individual competencies, promote meaningful and sustainable work, prioritize lifelong learning and development, and support institutional policies and long-term investments in human capital. However, all these efforts may not lead to significant results unless they are integrated into an internally coherent corporate system that is closely aligned with a company's business model.

Digitalization and advances in personnel management have led to the creation of enterprise-wide HRM platforms that streamline, aggregate and organize activities, thereby achieving considerable synergies. These activities include paperless work, data storage and dissemination, the alignment of HRM information and HR analytics with other components of enterprise solutions, and connecting HRM with corporate strategic management and planning. Digitalization offers two major advantages to Russian companies seeking to manage their staff effectively. The first is the creation of automated personnel management systems that synthesize HR subfunctions including but not limited to digital employee records, workflows and approvals, time tracking, payroll and assessment at the firm level. The second advantage is the ability to integrate the HRM module into enterprise-wide corporate business systems and processes.

These technological advances are based either on software products designed by Russian engineers or on integrated platforms offered by Western companies, such as SAP SuccessFactors and Oracle Applications, that have been adapted for use in the Russian Federation. While these internationally recognized foreign software products are considered highly effective, they are not in wide use because of difficulties in tailoring them to the Russian legal context, challenges in translating various elements of the interface and the high costs that they entail for domestic companies.

Among the available digital products, Russian firms with strong financial and other resources prioritize SAP software when it comes to integrating and automating HRM processes. For example, in 2018, the leading Russian mining company Polyus (the third-largest global producer of gold) initiated a major restructuring project in which the use of SAP SuccessFactors helped to integrate electronic documents and signatures, mobile solutions, encrypted electronic recruitment and training with the main production information system. In another case, the creation of a customized enterprise-wide digital HR system, based on an SAP human capital management platform, at the major Russian bank Otkritie helped to decrease its expenditure on IT support and business processes

by 40 per cent and to reduce the time spent on processing employee compensation by 15 per cent and that spent on making changes to personnel data by 20 per cent. Some companies, such as Metalloinvest, have gone even further and integrated their SAP-based HR systems not only with enterprise-wide platform but also with external social networks and messaging apps; they have subsequently reported improved communication and interactions among business units.

Multinational companies operating in the Russian Federation also use SAP-based systems in their HRM practices. For example, when in 2019 the global beer manufacturer AB InBev consolidated operations in the Russian Federation and Ukraine after the acquisition of Anadolu Efes, it set up a unified and optimized human capital management system based on the SAP Business Suite platform, making the system compatible with the company's global framework and organizational processes. The core components of this system, Integrated Employee Self-Service and Manager Self-Service, provided decision-makers with centralized and streamlined document management and access to archival data, standardized reporting, improved time tracking, development planning, administration of benefits and payroll processing. Another player in this industry, the Russian subsidiary of the Netherlands beer manufacturer Heineken, successfully installed an integrated system for payroll and personnel management developed by the Russian IT services company IBS and is currently in the process of merging it with the SAP-based enterprise system. The company reports efficient automation of HRM processes, including planning, selection, development, evaluation, compensation and benefits, and confirms that it has achieved significant cost savings and a simplified workflow. Such progress may also be observed in the Russian operations of the French retailer Auchan following its adoption of an SAP-based human capital management platform that has consolidated organizational management, personnel administration, time management, payroll accounting and travel management for its 42,500 employees in the Russian Federation. The company reported US\$3.6 million in benefits, including a reduction in the cost of bookkeeping by US\$220,000 and in payroll costs by US\$550,000. After the consolidation of HR processes through the SAP SuccessFactors platform, the French sports retailer Decathlon reported that the cost of its HR operations in the Russian Federation had been halved and the speed of relevant operations doubled.

In general, digitalization and ICTs make it possible to integrate HRM processes and activities with enterprise-wide systems and to enhance efficiency and market competitiveness. The companies choosing that path are serving as role models for mainstream businesses and emerging as “centres of knowledge” for the dissemination of HRM best practices in the Russian Federation.

3.4 Conclusions

Over the past forty years, Russian HRM practices have undergone a complex transformation in response to new technologies and markets and to the country's evolving political

and social environment. Within the diverse business landscape (characterized by considerable variety in terms of industry type, form of ownership and access to resources), a distinctive cluster of firms has emerged with an “investing in people” approach. The companies in this cluster are harnessing digitalization and ICTs to perform key HRM functions, seeking talent to effectively manage knowledge workers, reassessing motivational practices and work organization, and adjusting their business models to deal with demographic and environmental challenges and the country's growing economic isolationism.

Through our analysis we reached the following important conclusions. First, each megatrend generates both opportunities and challenges for businesses, and the responses adopted by businesses depend on the national context and the political and cultural environment. In the Russian Federation, digitalization and ICTs open up tremendous opportunities for improving growth and competitiveness. However, Russian firms' response to environmental challenges is lagging behind that of companies in other industrialized countries, while the demographic crisis and anti-globalization tendencies are leading to unfavourable developments and counterproductive decisions. Second, the Russian State plays an important role in facilitating or inhibiting the development of effective HRM practices, notably through government policies establishing sometimes politicized standards, providing support or imposing restrictions. Third, clusters of corporate behaviour with distinctive HRM patterns coexist in the Russian Federation, and the role of the cluster whose practices are consistent with the ILO's human-centred agenda has been growing. Fourth, in their quest for effective HRM and seeking to capitalize on the benefits brought by megatrends and, more precisely, by digitalization and ICTs, leading Russian companies have been moving from improvements in selected HRM areas to the creation of integrated HRM systems that offer greater efficiency in managing people in organizations.

The findings presented in this chapter should help Russian business practitioners and managers along with MNEs operating in the Russian market to identify productive solutions and manage personnel more effectively in line with the human-centred agenda outlined in the ILO's *Work for a Brighter Future* report (ILO 2019). Leading companies in the country are seeking ways of tackling the unfavourable demographics in the labour market, accelerating sustainability efforts, innovating to overcome deficiencies due to isolationism, and combining technology-based improvements in specific HRM areas, such as recruitment and selection, training and development, and motivation, with an integrative approach to the creation of enterprise-wide HRM systems. Finally, we have highlighted practices in companies that follow an “investing in people” approach and suggested that these may serve as role models for other domestic companies and subsidiaries of multinational firms operating in the Russian Federation, and also for businesses in other BRICS countries. These role models exemplifying best HRM practices could help to advance the ILO's human-centred agenda in the Russian Federation.

► Appendix 1. Workforce and industry affiliation of Russian companies or MNE subsidiaries referred to in the chapter

Company	Workforce	Industry affiliation
Auchan Russia	42 500	Retail
Coca-Cola HBC Russia	7 000	Soft drinks manufacturing
Decathlon Russia	n.a.	Sports retail
Efes Rus	500	Beer manufacturing
Gazprom Neft	78 000	Oil extraction and processing
Heineken Russia	n.a.	Beer manufacturing
Huawei Technologies (Russian Federation)	900	Telecommunications
Lukoil-Perm	3 500	Oil and gas
Mail.ru	6 000	ICT
MegaFon	40 000	ICT
Megapolis Group	13 400	Textile, chemical, fuel and energy
Metalloinvest	54 000	Mining and metallurgy
NBD-Bank	6 000	Banking
Norilsk Nickel	84 000	Nickel and palladium mining and smelting
Otkritie	24 000	Banking
Polyus	19 000	Gold mining
State Atomic Energy Corporation "Rosatom"	250 000	Nuclear power

Company	Workforce	Industry affiliation
Rostelecom	126 000	ICT
Russian Railways	711 000	Transport
Soglasie	5 000	Insurance
Sberbank	281 000	Banking
Stafori	20	Software
X5 Retail Group	250 000	Retail
n.a. = data not available		

► References

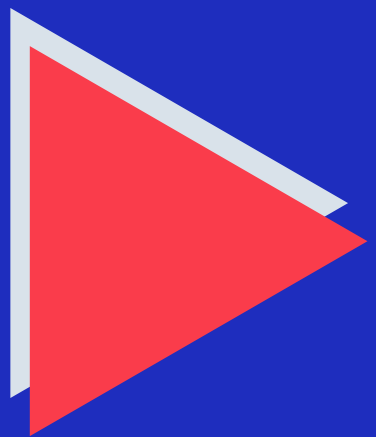
- Adachi, Yuko. 2010. *Building Big Business in Russia. The Impact of Informal Corporate Governance Practices*. New York: Routledge.
- Agapov, Vasilii, Sergei Yakovlev, and Viktor Pratushevich. 2014. *Obzor i otsenka perspektiv razvitiya mirovogo i rossiiskogo rynkov informatsionnykh tekhnologii* [Review and assessment of the prospects for the development of the global and Russian information technology markets]. IDC (International Data Corporation).
- Andreassen, Natalia. 2016. "Arctic Energy Development in Russia: How 'Sustainability' Can Fit?" *Energy Research and Social Science* 16: 78–88.
- Andreeva, Tatiana, Marion Festing, Dana B. Minbaeva, and Maral Muratbekova-Touron. 2014. "The Janus Faces of IHRM in Russian MNEs". *Human Resource Management* 53 (6): 967–986.
- ASI (Agency for Strategic Initiatives) and MSM Skolkovo (Moscow School of Management Skolkovo). 2015. *Atlas of Emerging Jobs*, 2nd ed. Moscow.
- Åslund, Anders, and Martha Brill Olcott, eds. 1999. *Russia after Communism*. Washington, DC: Carnegie Endowment for International Peace.
- Björkman, Ingmar, Carl F. Fey, and Hyeon Jeong Park. 2007. "Institutional Theory and MNC Subsidiary HRM Practices: Evidence from a Three-Country Study". *Journal of International Business Studies* 38 (3): 430–446.
- Buck, Trevor, Igor Filatotchev, Natalia Demina, and Mike Wright. 2003. "Insider Ownership, Human Resource Strategies and Performance in a Transition Economy". *Journal of International Business Studies* 34 (6): 530–549.
- Budhwar, Pawan, Rosalie L. Tung, Arup Varma, and Hoa Do. 2017. "Developments in Human Resource Management in MNCs from BRICS Nations: A Review and Future Research Agenda". *Journal of International Management* 23 (2): 111–123.
- Domsch, Michel E., and Tatjana Lidokhover, eds., 2017. *Human Resource Management in Russia*. London: Routledge.
- Elbakidze, Marine, Per K. Angelstam, Camilla Sandström, and Robert Axelsson. 2010. "Multi-stakeholder Collaboration in Russian and Swedish Model Forest Initiatives: Adaptive Governance toward Sustainable Forest Management?" *Ecology and Society* 15 (2).
- Evseeva, Oksana, Olga Kalchenko, Svetlana Evseeva, and Kristina Plis. 2019. "Instruments of Human Resource Management Based on the Digital Technologies in Russia". In

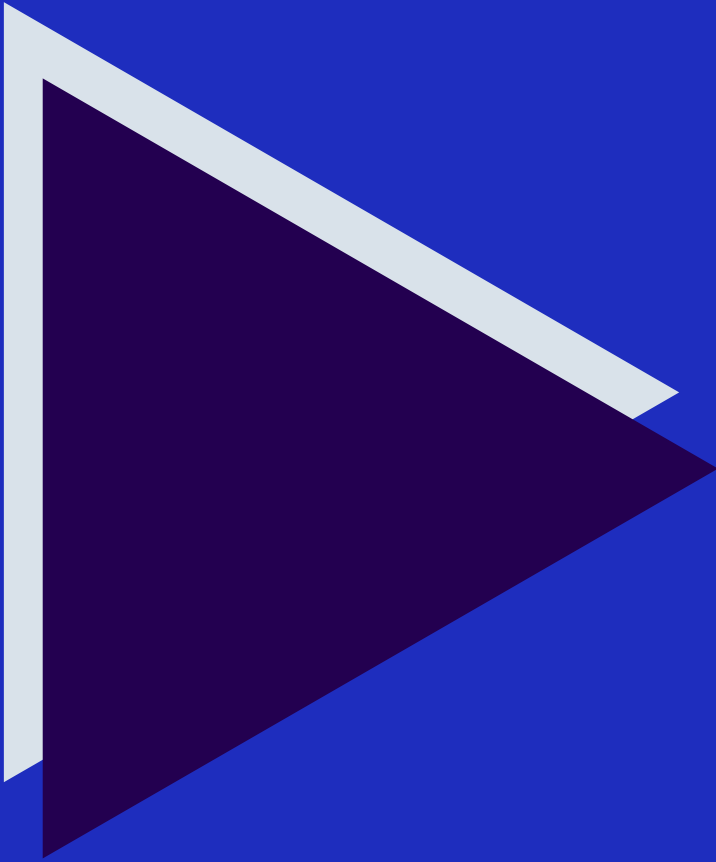
- Proceedings of the International Conference on Digital Technologies in Logistics and Infrastructure (ICDTLI 2019)*, edited by Igor V. Ilin, 148–154. Paris: Atlantis Press.
- Fey, Carl F., and Ingmar Björkman. 2001. “The Effect of Human Resource Management Practices on MNC Subsidiary Performance in Russia”. *Journal of International Business Studies* 32 (1): 59–75.
- Fey, Carl F., Sergey Morgulis-Yakushev, Hyeon Jeong Park, and Ingmar Björkman. 2009. “Opening the Black Box of the Relationship between HRM Practices and Firm Performance: A Comparison of MNE Subsidiaries in the USA, Finland, and Russia”. *Journal of International Business Studies* 40 (4): 690–712.
- Fey, Carl F., and Stanislav Shekshnia. 2008. “The Key Commandments for Doing Business in Russia”, INSEAD Business School Research Paper No. 2008/16/EFE.
- Finanz.ru. 2021. “Inostrannye investitsii v Rossiyu rukhnuli v 20 raz” [Foreign investment in Russia has plummeted by a factor of 20]. 19 January 2021.
- Grachev, Mikhail V., 2001. “Making the Most of Cultural Differences”. *Harvard Business Review* 79 (9): 28–30.
- . 2009. “Russia, Culture, and Leadership, Cross-Cultural Comparisons of Managerial Values and Practices”. *Problems of Post-Communism* 56 (1): 2–11.
- , Nikolai G. Rogovsky, and Boris V. Rakitski. 2007. “Leadership and Culture in Russia: The Case of Transitional Economy”. In: *Culture and Leadership across the World: The GLOBE Book of In-Depth Studies of 25 Societies*, edited by Jagdeep Chhokar, Felix C. Brodbeck and Robert J. House, 803–831. New York: Psychology Press.
- Gribanov. Valerii. 2019. “Privychnaya nagrada” [The usual reward]. *Kommersant*, suppl. no. 232, 17 December 2019, 59–60.
- Gurkov, Igor. 2004. “Business Innovation in Russian Industry”. *Post-Communist Economies* 16 (4): 423–438.
- . 2016. “Human Resource Management in Russian Manufacturing Subsidiaries of Multinational Corporations”. *Post-Communist Economies* 28 (3): 353–372.
- Gurkov, Igor, and Alexander Settles. 2013. “A Dominant Archetype of the HRM System in Russian Industrial Companies in Post-recession Times”. *International Journal of Human Resource Management* 24 (19): 3630–3643.
- Gurkov, Igor, and Olga Zelenova. 2011. “Human Resource Management in Russian Companies”. *International Studies of Management and Organization* 41 (4): 65–78.
- Holden, Nigel, and Vlad Vaiman. 2013. “Talent Management in Russia: Not So Much War for Talent as Wariness of Talent”. *Critical Perspectives on International Business* 9 (1–2): 129–146.

- Horie, Norio. 2014. "A Note on Human Resources Management in Russia: Path Dependency in Job Design". *Journal of Comparative Economic Studies* 9: 135–141.
- Horwitz, Frank, and Pawan S. Budhwar, eds. 2015. *Handbook of Human Resource Management in Emerging Markets*. Cheltenham: Edward Elgar.
- ILO 2019. *Work for a Brighter Future: Global Commission on the Future of Work*.
- Interfax. 2016. "Putin otsenil ushcherb Rossii ot ekologicheskikh problem minimum v 6% VVP" [In Putin's assessment, environmental problems are costing the Russian Federation at least 6 per cent of its GDP]. 27 December 2016.
- . 2019. "Kolichestvo besplatnykh mest v rossiiskikh vuzakh umen'shitsya na chetvert'" [The number of free tuition places at Russian universities will decrease by a quarter]. 24 June 2019.
- . 2021. "V Kremle ne uvideli tragedii v ottoke uchenykh iz Rossii" [The Kremlin does not view the exodus of academics from the Russian Federation as a tragedy]. 22 April 2021.
- Kankovskaya, Alina R. 2016. "Higher Education for Sustainable Development: Challenges in Russia". *Procedia CIRP* 48: 449–453.
- Kiseleva, Svetlana Petrovna, and Lyudmila Viktorovna Makolova. 2019. "Ekologo-orientirovannoe upravlenie predpriyatiyami agropromyshlennogo kompleksa i podgotovka kadrov dlya sfery biznesa vtorichnykh resursov v usloviyakh tsifrovoi ekonomiki" [Environmental-oriented management of agricultural enterprises and training for personnel for the secondary resource business sphere in the conditions of digital economy]. *E-management* 2 (2): 7–15.
- KPMG. 2019. *Tsifrovye tekhnologii v rossiiskikh kompaniyakh: Rezul'taty issledovaniya* [Digital technologies in Russian companies: findings from a study].
- Kucherov, Dmitry, and Daria Manokhina. 2017. "Evaluation of Training Programs in Russian Manufacturing Companies". *European Journal of Training and Development* 41 (2): 119–143.
- Kuzminov, Yaroslav. 2020. "Virusnaya revolyutsiya: kak pandemiya izmenit nash mir" [The virus revolution: how the pandemic will change our world]. RBK, 27 March 2020.
- Latukha, Marina, József Poór, Ekaterina Mitskevich, and Dmitry Linge. 2020. "Human Resource Management Practices Transferring from Foreign Firms to Russia: The Case of MNCs Subsidiaries". *Journal of Business Research* 108: 476–486.
- Levada Center. 2021. "Emigratsiya" [Emigration]. Survey results , 6 June 2021.
- Michailova, Snezhina, Daniel J. McCarthy, and Sheila M. Puffer. 2013. "Russia: As Solid as a BRIC?" *Critical Perspectives on International Business* 9 (1–2): 5–18.

- Muratbekova-Touron, Maral, Veronika Kabalina, and Marion Festing. 2018. "The Phenomenon of Young Talent Management in Russia: A Context-Embedded Analysis". *Human Resource Management* 57 (2): 437–455.
- Novaya Gazeta*. 2018. "Ottok inostrannykh investitsii iz Rossii za 2018 god otsenili v 1 mlrd dollarov" [The outflow of foreign investments from the Russian Federation in 2018 has been estimated at US\$1 billion]. 24 December 2018.
- Novitskaya, Olga, and Chris Brewster. 2016. "The Impact of National Context Effects on HRM Practices in Russian Subsidiaries of Western MNCs". *Journal of East–West Business* 22 (1): 1–27.
- Odegov, Jurij, Elena Malakhova, and Andrei Garnov. 2018. "Digitalization of Business Processes in Human Resources Management of Russian Industrial Enterprises". In *Proceedings of the International Conference on Communicative Strategies of Information Society (CSIS 2018)*, edited by Olga Shipunova, 93–97. Paris: Atlantis Press.
- Puffer, Sheila M., and Daniel J. McCarthy. 2017. "Two Decades of Russian Business and Management Research: An Institutional Theory Perspective". *Academy of Management Perspectives* 25 (2): 21–36.
- PwC (PricewaterhouseCoopers). 2019. *Tsifrovizatsiya chastnogo biznesa v stranakh Tsentral'noi i Vostochnoi Evropy* [The digitalization of private enterprise in Central and Eastern European countries].
- RBK. 2017. "Medvedev nazval nedopustimym 'eksport intellekta' iz Rossii" [Medvedev described the "export of intellect" from the Russian Federation as unacceptable]. 27 February 2017.
- . 2019. "Polovina rossiyan zarabatyvayut menee 35 tysyach rublei v mesyats" [Half of Russians earn less than 35,000 roubles a month]. 18 July 2019.
- Russian Federation, MED (Ministry of Economic Development). 2019. *Itogi vneshneekonomicheskoi deyatel'nosti Rossiiskoi Federatsii v 2019 godu* [Summary of the foreign economic activities of the Russian Federation in 2019].
- Sachs, Jeffrey D. and Katharina Pistor, eds. 2018. *The Rule of Law and Economic Reform in Russia*. New York: Routledge.
- Schwab, Klaus, ed. 2019. *The Global Competitiveness Report 2019*. World Economic Forum.
- Shekshnia, Stanislav. 2007. *Upravlenie personalom sovremennoi organizatsii* [Managing personnel in a modern organization]. Moscow: RGB.
- Shulzhenko, Elena. 2012. "Human Resource Management and Labour Relations in Post-transitional Russia", WZB Discussion Paper No. SP III 2012-303. Berlin Social Science Centre (WZB).

- Sokolov, Aleksandr. 2021. "Instituty razvitiya provalili innovatsii" [Development institutions have made a mess of innovation]. *Vedomosti*, 2 March 2021.
- Suopajarvi, Leena, Gregory A. Poelzer, Thomas Ejdemo, Elena Klyuchnikova, Elena Korchak, and Vigdis Nygaard. 2016. "Social Sustainability in Northern Mining Communities: A Study of the European North and Northwest Russia". *Resources Policy* 47: 61–68.
- Tsifrovaya Ekonomika [Digital Economics]. n.d. <https://digital.ac.gov.ru>.
- Zavyalova, Elena, Dmitry Kucherov, and Victoria Tsybova. 2017. "Human Resource Management at Russian Companies: Leaders of the Global Economy". *Foresight and STI Governance* 11 (4): 52–61.





Chapter 4

Key challenges for management policies and practices: The Indian experience

Ernesto Noronha (Indian Institute of Management Ahmedabad)

Premilla D’Cruz (Indian Institute of Management Ahmedabad)

► Abstract

It was presumed that globalization would contribute to strong economic growth in India, given the country’s favourable demographic transition. However, the growth rate of employment has lagged behind the economic growth rate. While this situation is likely to be exacerbated by the disruption arising from the wider dissemination of digital technologies that are expected to profoundly transform the future of work, the push towards increased reliance on renewable energy worldwide means that more decent job opportunities are likely to emerge in that sector in the future. There currently exists a paradoxical situation whereby the number of educated unemployed seems to keep increasing, while many workers lack the level of education and skills required by employers. Thus, the optimism of scholars and policymakers regarding India’s ability to harness its demographic dividend is misplaced. The most common strategies used by companies to address changing skill requirements include retraining existing employees and hiring new permanent staff with the necessary skills. Moreover, organizations in various sectors have launched in-house staff development programmes and are collaborating with external educational and training institutions to facilitate the development and upskilling of their employees. In addition to providing training, employers seeking to increase the supply of skilled employees are obliged to cast their recruitment net wider and to adopt human capital management strategies to reward and recognize employees. Significantly, the COVID-19 crisis has highlighted the role of HRM in keeping staff engaged, motivated, safe and productive. Employees in most firms have had to be supported through digital infrastructure (such as laptops and data cards) to ensure business continuity during the crisis.

4.1 Introduction

Megatrends are global and macroeconomic forces of development that form slowly, but once in place they have an impact on economic, political and social conditions worldwide and shape the future. Megatrends are greater in magnitude, longer in duration and farther-reaching in their effects than normal trends, fads or fashions (Kotler 2002; Singh 2012). In addition to globalization, the ILO in its recent report on the future of work outlined three major megatrends: changes in demographics; technological advances, including artificial intelligence, automation and robotics; and “greening” of the economy (ILO 2019). These major ongoing transformations are having both disruptive and beneficial effects on economies. For instance, demographic change around the world may put pressure on labour markets and social security systems in some countries while opening up new opportunities for health and care in others. Many advanced economies have an ageing workforce, but emerging countries, such as India, are going through a phase of demographic transition in which the country’s labour force is dominated by young people (Talreja 2014). Similarly, technological advances will quickly render some existing skills obsolete but at the same time create new jobs. Left to its current course, the digital economy could well “recreate nineteenth-century working practices”, leading to future generations of “digital day labourers”, and it is also likely to widen both regional and gender divides (ILO 2019, 18). While the disappearance of carbon and resource-intensive industries will result in economic disruption, the greening of economies is expected to create millions of jobs as clean technologies and sustainable practices are adopted. These new challenges come on top of existing ones such as globalization, which has not resolved the problem of unemployment that means that millions of workers are looking for jobs in the informal sector under conditions of modern slavery and, as a result, economic inequality is widening (ILO 2019).

A convincing response is required to meet these challenges and make best use of the countless opportunities that are emerging. The new approach to be adopted to that end should put people and the work they do at the centre of economic and social policy and business practices. Such a human-centred agenda calls for investment in people’s capabilities, in the institutions of work and in decent and sustainable work (ILO 2019). By addressing these issues, companies can benefit in a number of ways, such as retaining a higher-quality workforce, increasing the job satisfaction of their employees, improving their reputation among consumers and being less likely to face protests and boycotts. Longer-term benefits include staying ahead of potentially stricter new regulations and attracting investors who care about social responsibility (Weissbrodt 2008).

In this chapter, we first outline the megatrends of globalization, demographic change, digitalization and environmental challenges with reference to the Indian context. We then look at how companies in the private sector are responding to these megatrends and examine the extent to which their responses tie in with the goals of the ILO’s human-centred agenda.

4.2 The megatrends and India

4.2.1 Globalization

When India gained its independence in 1947, the Government was confronted with the task of building a modern, federal nation State that would strive for both interregional equity and national self-reliance (World Bank 1991). To achieve this, the import substitution model of development – a strategy that encourages the replacement of foreign imports with domestic production – was adopted under a *dirigiste* regime (Mazumdar 2010; Nölke et al. 2020). However, with growth rates in the manufacturing sector and exports stagnating by the late 1970s, a consensus began to emerge that if living standards for the poor were to be improved, India would have to change its development strategy (World Bank 1991) in favour of liberalization and prioritize economic growth (Kohli 2007).

The liberalization that duly ensued in the 1980s meant abandoning the commitment to redistribution and a recommitment by the State to the “growth first” model of development (Kohli 2007). This new course intensified in 1991, when India faced a fundamental fiscal crisis brought about by economic, political, domestic and international factors. As a result, the Government secured assistance from the International Monetary Fund, which was tied to a structural adjustment package. In addition to two immediate currency devaluations, the package included policy initiatives ultimately aimed at privatization, the removal of licensing regulations for private investment, the easing of restrictions on foreign direct investment (FDI), tariff reductions and deregulation of capital markets (Noronha and Beale 2011). The policy changes resulted in the increase of total FDI inflow from a mere US\$129 million in 1991–92 to US\$44 billion in 2016 (Mondal and Pant 2020). At first, very few sectors, such as manufacturing and mining, were opened up, but eventually liberalization extended to service sectors too, including telecommunications and retail (Masharu and Nasir 2018).

4.2.2 The demographic dividend

Indian policymakers have often sought to achieve growth by harnessing the country’s favourable demography. It is believed that the younger the workforce, the more dynamic it is likely to be in terms of education, skills and productivity (Joe, Kumar and Rajpal 2018; Krishnamurty and Kumar 2015). This is termed the “demographic dividend” and is assumed to help in setting India on a trajectory of higher growth (Chandrasekhar, Ghosh and Roychowdhury 2006; Talreja 2014). According to the United Nations, India will add 300 million people in the working-age group (that is, those aged 15–64) between 2010 and 2040 and will contribute 25 per cent of the world’s new workers in the 2020s (Singh 2016). Moreover, a still largely untapped demographic dividend comprises the labour force participation and employment of women, particularly younger and better-educated women (Krishnamurty and Kumar 2015). The International Monetary Fund estimates

that India would be 27 per cent richer if there were equal participation of women in the workforce (Chapman et al. 2018).

Of course, the harnessing of all this potential depends on the assumption that the country's workers will be equipped with the necessary skills, physical capital and job opportunities to be productive (Bloom 2011). In that regard, it is worth noting that the Indian higher education system has grown impressively since independence. Between 1947 and 2018–19 the number of universities increased from 25 to 993, while the number of colleges increased from 700 to 39,931. Total enrolment in higher education increased from a meagre 0.1 million in 1947 to 10.48 million in 2005. Out of the total student population of 37.4 million in 2018, a vast majority, namely 79.8 per cent, were enrolled as undergraduates, while 10.8 per cent were enrolled as postgraduates (India, MHRD 2018). The growing youth workforce can be trained to acquire the skills required by the newer and technologically more dynamic industries in the services sector, including the IT and IT-enabled services (ITES) industries, hospitality, entertainment, retail, transport, housekeeping and medical services (Chandrasekhar, Ghosh and Roychowdhury 2006; Roychowdhury and Upadhyaya 2020). In addition, since a significant proportion of this workforce are millennials who have grown up with the internet and related technologies, India seems well placed to reap the benefits of digital labour. This potential is bolstered by the impressive growth in both internet connectivity and mobile phone usage, including smartphones, under the Digital India programme (Gurumurthy, Chami and Thomas 2016; Islam 2018). Not surprisingly, the IT and knowledge process outsourcing industries have benefited from India's demographic dividend (Noronha and D'Cruz 2017; Noronha, D'Cruz and Kuruvilla 2016).

4.2.3 A digitalized future

Over the past few decades, successive central Governments have staked a significant portion of their political capital on the “global positioning” of India as a digital power (Thomas 2012; Athique and Parthasarathi 2020). One consequence of this is that the internet penetration rate has increased from about 4 per cent in 2007 to around 45 per cent in 2021. In 2020, India had 700 million internet users across the country and this is projected to grow to over 974 million users by 2025 in both urban and rural areas (Statista 2020a). Moreover, according to the Telecom Regulatory Authority of India, the average monthly data consumption per user increased from 70 megabytes in 2014 to 12.13 gigabytes in December 2020.

Significantly, the arbitrary demonetization of 80 per cent of India's cash supply on 8 November 2016 and the prioritization of efforts to achieve a “cashless India” have resulted in a burgeoning set of platforms that provide tangible and intangible commodities. Several domestic companies, such as Ola, Flipkart, Zomato, Swiggy and Paytm, have been developing digital platform brands covering a broad range of services, including ride-hailing, online shopping, food delivery, payment platforms and mobile wallets (Athique

and Parthasarathi 2020). More recently, the social-distancing norms and nationwide lockdowns imposed during the COVID-19 pandemic have led to an inevitable surge in the use of digital technologies worldwide. Digitalization has allowed leading firms and educational institutions to shift to working-from-home arrangements (De, Pandey and Pal 2020). India was ranked as the second-largest online market worldwide in 2019, coming immediately after China (Statista 2020b). India's digital economy currently generates about US\$200 billion of economic value annually – mainly from the existing digital ecosystem, which comprises IT and business process management, digital communication services, e-commerce, domestic electronics manufacturing, digital payments and direct subsidy transfers. By 2025 India could create a digital economy worth between US\$800 billion and US\$1 trillion, which would be 18–23 per cent of the country's GDP. This fivefold increase in economic value would create a market for a host of digital services, platforms, applications, content and solutions, which could sustain 60–65 million workers by 2025 (India, MEIT 2019).

Large e-commerce companies are also beginning to use machine-learning-based applications, big data, social networks and cloud computing to transform cross-border trade in merchandise and services (Chapman et al. 2018; Tandem Research 2018). There is already widespread use of chatbots and internet banking. The financial sector (especially private sector banks) is increasingly adopting robotic process automation technologies, since financial analysis services are amenable to such automation (Tandem Research 2018). Robots have also been introduced at airports (such as Kempa and Vistara's RADA, which assist travellers by providing flight and check-in details), in banks (the humanoid Lakshmi at the City Union Bank in Chennai and HDFC Bank's IRA, both of which deal with customer queries) and in restaurants. For example, every table in the robot restaurant at Bengaluru has a digital tablet, which the customers operate to place their orders. Once the order is ready, the kitchen assigns a robot to deliver the food. The robots have been designed to greet visitors at the entrance and guide them to their tables and they are also equipped with built-in facial recognition technology, although these features are not yet in use. In 2014, the International Federation of Robotics reported that there was only one robot per 10,000 employees and that 2,126 robots had been sold throughout India (Roland Berger 2016). By 2017 those metrics had increased to 23 robots per 10,000 employees and 3,421 new installations.

4.2.4 Environmental challenges

The liberalization that facilitated India's rapid economic growth also resulted in an alarming rate of pollution from industrial effluents and vehicular emissions. Given the State's lack of the necessary resources, capacity and political will to enforce relevant laws, the courts became, through public interest litigation, important players in environmental protection in India (Patel and Dey 2013; Shrotria 2015). In 1995, the Supreme Court established an informal bench of select judges who were assigned environmental cases. This

subsequently inspired the creation of provincial-level “green benches” and the passing of the National Green Tribunal Act, 2010 (Gill 2013; Patel and Dey 2013).

This legislation heralded the start of a new era for environmental jurisprudence in India, leading to the dissemination of several key principles from international environmental law such as intergenerational equity, the precautionary principle, the “polluter pays” principle, the need to take sustainable development into account in any decision, order or awarding of contracts and the doctrine of public trust (Gill 2013; Patel and Dey 2013). The National Green Tribunal was able to navigate the complexities of the “environment versus development” debate with the help of specialized judges and environmental experts (Shrotria 2015; Williams and Mawdsley 2006). The Tribunal was also supplemented by new regulatory techniques such as environmental impact assessments and public hearings (Gill 2013). The proponents of a project are required to submit an environmental assessment report, an environmental management plan and details of the public hearing conducted in the area where the project is to take place (Chowdhury 2014; Dilay, Diduck and Patel 2020; Sinclair and Diduck 2000). All these mechanisms are part of a striving to balance the competing values of environmental protection and sustainability on the one hand, and resource-driven growth on the other (Gill 2013).

India has recently also been making rapid progress in the development of renewable technologies. The country intends to reach 225 gigawatts of renewable power capacity by 2022, surpassing the original target of 175 gigawatts. In 2018, renewable energy (small hydropower, wind, biomass, waste to energy, solar) accounted for an approximate 21 per cent of the cumulative installed power capacity, the remaining 79 per cent originating from other conventional sources (coal, gas, diesel, nuclear, large hydropower) (Kumar and Majid 2020). Investment in clean energy also has the potential to advance human well-being in India by generating millions of jobs (Pollin and Chakraborty 2015). Indeed, the Council on Energy, Environment and Water and the Natural Resources Defence Council have estimated that over 300,000 workers will be employed in the solar and wind energy sectors to meet the above-mentioned 2022 target (ILO 2018, 133, box 5.2). At the same time, investment in renewable energies is expected to bring about a dramatic reduction in carbon dioxide emissions in India over the next two decades (Pollin and Chakraborty 2015).

* * *

After this outline of the megatrends in the Indian context we now look at how globalization, demographic change, digitalization and environmental issues have impinged on the HR requirements of Indian industries and how organizations have responded to these challenges.

4.3 Impact of the megatrends

4.3.1 Economic growth and employment

As one would expect, globalization has contributed significantly to real GDP growth. After dipping to 0.9 per cent in 1991–92, the rate of economic growth climbed to 5.1 per cent during 1992–93, signalling one of the fastest recoveries from a macroeconomic crisis (Som 2006). More recent data indicate that the annual growth of value added in the Indian economy in 2000–12 was 7.2 per cent (Majid 2019). However, the rate of employment growth has been unable to keep pace with the high rates of economic growth reported since the liberalization programme began to be implemented. For instance, during the period of strong economic growth between 2000 and 2012, regular employment grew slowly, its share in total employment increasing from 15.3 per cent in 2000 to 19.3 per cent in 2012, while the growth of regular protected employment was even slower, its share increasing from 7.8 per cent to 7.9 per cent over the same period (Majid 2019). The unemployment crisis has been exacerbated by the “youth bulge” (Roychowdhury and Upadhyaya 2020). Fewer than 2 million jobs are being created annually, yet the number of people joining the workforce exceeds 8 million every year (Tandem Research 2018). Additionally, the Indian economy has been slow to undergo structural transformation. While the share of agriculture in GDP has steadily declined, a substantial number of workers are still employed in that sector (Noronha and D’Cruz 2017; Roychowdhury and Upadhyaya 2020; Verick 2018). In contrast, the service sector, which is the key driver of economic growth, accounts for just 26.8 per cent of employment (Verick 2018). For instance, despite the robust growth of online retailers and increasing internet penetration, the size of Indian digital labour is relatively small in relation to the vast total labour force (Calvão and Thara 2019; Islam 2018).

Some common features of new urban occupations appear to be precarity, instability and informal employment conditions even in formal sector organizations. Low wages and insecure job tenure create an environment in which workers move quickly from one job to another (Roychowdhury and Upadhyaya 2020). Not surprisingly, the kinds of jobs that are on offer are not very attractive. Expectations of employment are high, but they are not matched by the opportunities available (Roychowdhury and Upadhyaya 2020). Most service sector employment continues to consist of low-paid, low-skill jobs in the informal sector (Saraf 2016; Singh 2016). For instance, Ferus-Comelo (2014) argues that staff at hotels are in vulnerable employment: they put in longer and more intensive working days but are hired on fixed-term contracts or engaged through contract agencies, which allows the hotel to terminate their services without being bound by the statutory obligations of an employer. This trend can also be observed in IT services, where there is growing preference for project-based teams whose composition changes depending on the specific skill and competency requirements. Similarly, in the financial sector, consultants are increasingly being hired to cover medium- and high-skilled jobs as an alternative to full-time employees (Tandem Research 2018). On the whole, over 80 per cent of the workforce are engaged in the unorganized sector (Noronha and Beale 2011).

Growth therefore does not automatically imply higher wages or the reduction of poverty and inequality; greater attention is accorded to the overall level of employment than to its quality. The widespread view in India is “first work, then decent work” (Rodgers 2020).

This situation is likely to be aggravated by the disruption arising from digital technologies that are expected to profoundly transform the future of work (Mashelkar 2018; Tandem Research 2018). For instance, the bulk of employment opportunities in the retail sector are at present generated in automation-prone jobs in logistics, warehousing and delivery services (Calvão and Thara 2019). Similarly, in the retail sector, the jobs of cashier, inventory assistant, sales representative and stock clerk are also threatened (Mashelkar 2018). The use of machine-learning and cloud-computing technologies will contribute to job displacement as routine and back-end tasks are increasingly automated in the IT industry (Tandem Research 2018). The company Tech Mahindra is using artificial intelligence and automation to reduce the workforce in business process services by 5,000 in 2021. In the banking, financial services and insurance sectors, the occupations coming under threat include data entry operator, teller, cashier, underwriter and data verification (Mashelkar 2018).

In the absence of stable employment, online piecework has become a prominent means of securing a livelihood (Calvão and Thara 2019). Such forms of work have gained momentum in recent years with the emergence of freelancing platforms (Chapman et al. 2018). Online freelancing and microwork have become thriving segments of India's informal labour market (D’Cruz and Noronha 2016; Kathuria et al. 2017). Although participation in digital platforms can indeed improve employment conditions for some types of service worker and, in particular, enable women to take up new jobs by circumventing the barriers of physical mobility and domestic commitments, the “platform economy” could reproduce informality and exacerbate the vulnerability of women (Tandem Research 2018).

4.3.2 Skill gaps

In addition to not enough jobs being created for the growing youth population, there is also the challenge of persistent skill gaps, with barely 2 per cent of the Indian workforce formally acquiring skills, compared with 68 per cent in the United Kingdom of Great Britain and Northern Ireland, 75 per cent in Germany, 52 per cent in the United States, 80 per cent in Japan and 96 per cent in the Republic of Korea (Maitra and Maitra 2018). Vocational training appears to be doing little to resolve this problem: most such training does not increase employability (Chandrasekhar, Ghosh and Roychowdhury 2006). Moreover, the introduction of new digital tools – including machine learning, robotics, big data, the internet of things, augmented reality and artificial intelligence – is expected to lead to new skill requirements, mainly with regard to delivering products and services to customers online, communicating with customers online, and such operations as inventory and logistics tracking and the payment of goods and services tax (Chapman et al.

2018). New occupations in the retail sector will include retail data analyst, digital imaging leader, IT process moulder, digital marketing specialist and customer experience leader. In addition, some existing roles will transition into new ones: for example, sales associate to fashion consultant; store assistant to product facilitator; warehouse coordinator to inventory management and logistics specialist; and package sorter to package-sorting machine operator. Similarly, future job roles in the IT sector will include visual effects artist, computer vision engineer, wireless network specialist, embedded system programmer, data scientist, data architect, artificial intelligence research scientist, cybersecurity specialist, credit analyst, robot programmer, block chain architect and process module expert (Mashelkar 2018).

Employers are complaining about the shortage of workers with the requisite skills. Indeed, the quality of Indian workers leaves much to be desired in terms of education and skill base (Singh 2016). The country is thus in a paradoxical situation whereby the number of educated unemployed seems to keep increasing while employers across various sectors lament the lack of skilled human resources. Many educated jobseekers have general college degrees but require a significant amount of further training to become truly “job-ready” (Roychowdhury and Upadhya 2020). For instance, it is not the quantity but the quality of employable people in the IT sector that worries recruitment managers (Kuruville and Ranganathan 2010; Thite 2010). Moreover, with the rapid growth of new digital platforms, the hospitality industry is facing “unseen” rivals (such as Airbnb, which allows tourists to rent accommodation outside hotels), leading to increased competition within the industry to find and recruit talent (Rai and Nayak 2019). In addition, India-based IT firms have expressed concern about the misalignment between skills that are in demand (for instance, in cloud computing, the internet of things, artificial intelligence and augmented reality) and the available skills (those used in legacy systems). Another important factor is that employees, especially millennials, are no longer interested in spending their entire career with one organization. Rather, they view each organization as a stepping stone where they can spend some time becoming more eligible for their next move. This poses a major challenge in the IT sector, where “job hopping” is a common phenomenon (Chaudhuri, Hirudayaraj and Ardichvili 2018).

4.3.3 Tackling the challenges

The most common strategies used by companies to address changing skill requirements include retraining existing employees, expecting employees to pick up skills on the job and hiring new permanent staff with the necessary skills (Chapman et al. 2018). To that end, most firms in the IT industry have launched in-house staff development programmes, although some of them also collaborate with external educational and training institutions for the development and upskilling of their employees (Chadee, Raman and Michailova 2011; D’Cruz and Noronha 2010). For instance, Wipro has learning centres large enough to provide classroom training for 5,000 employees (Wadhwa, de Vitton and Gereffi 2008). Similarly, to close the gap in skills, hotel chains have designed and

implemented their own training programmes: for instance, the Systematic Training and Education Programme of the Oberoi Group, the Learn, Earn and Prosper programme of ITC Maurya and the Golden Threshold Programme of Taj Hotels (Singh and Jaykumar 2019). In a newer industry like retail in India, where there is a lack of formal vocational institutes, some retailers (for example, RPG Enterprises and Reliance) have set up their own training centres for front-line staff and store managers. Others have teamed up with universities to develop programmes that allow employees to study for a degree through distance-learning courses while working. Moreover, the Retailers Association of India has established a professional retailing skills course at the entry level (WNS 2008). Similarly, multinationals in the financial sector have established their own management training centres in India, where the courses offered are like those offered in their other affiliates or headquarters (Budhwar 2012). Many corporations encourage their staff to study further and are willing to pay the fees for their professional courses. For instance, Wipro invests in its senior leaders by financing their graduate education at leading national and international universities (Rao 2016). Microsoft and the National Association of Software and Service Companies (NASSCOM) recently announced their collaboration on an initiative aimed at equipping about 1 million students with skills in artificial intelligence, data science, machine learning and cognitive services (HRKatha 2020a). In addition, Marriott Hotels and the Wipro Group allow their middle managers to cross-train and seek positions across various functions (marketing, finance and human resources). Such job rotation helps employees to build up a comprehensive strategic picture of the organization as they advance to more senior managerial roles (Rao 2016).

With regard to the training content, most retailers provide elaborate techno-functional, leadership and soft skills training (WNS 2008). Multinationals generally offer a variety of training programmes covering both soft (behavioural, supervisory, management, leadership, communication, ethics, culture, team-building) and hard (operational, technical and quality) skills and dealing with most functional areas (Budhwar 2012). In the hospitality sector, the essential skills and competencies that need to be covered are communication, people skills, cultural sensitivity, analytical thinking, planning skills and the ability to apply knowledge. The training programmes designed accordingly by hotel groups contribute to higher service standards and employee retention, greater employee satisfaction and all-round career growth (Singh and Jaykumar 2019). As for platform or “gig” work, it has been pointed out that popular ride-hailing platforms, such as Uber and Ola Cabs, and food delivery platforms, such as Swiggy and Zomato, provide minimal or often video-only training to new workers in India. However, this is not the case with all platforms. Raval and Pal (2019) emphasize that home service platforms, such as those providing beauty care, offer access to training facilities and seek to ensure that workers’ skills are up to date and that reasonable expectations may be made regarding customer relations and professionalism. The training process promotes an image of the “ideal worker”: resilient in his or her politeness and professionalism, constantly adaptable to the needs of customers and always presentable in appearance (Anwar, Pal and Hui 2020). In a study of the delivery segment of the e-retailing value chain, Sharma (2017) noted how delivery

workers in the gig economy received both on-the-job and off-the-job training. The former type involved sending new workers to random places to deliver products on their own or accompanied by another delivery worker during the first one to three months after joining the company. They were expected to familiarize themselves with the areas to which they had been allotted and to develop certain customer-centric skills with the help of fellow workers. Off-the-job training included imparting constant technical training to them so that they could handle sophisticated equipment. They also received training on their responsibilities at work, including customer interaction, managing parcels and complying with traffic rules, and were inculcated with a strong service ethos (Sharma 2017).

In addition to training, employers have no choice but to expand their recruitment network in order to increase the supply of skilled employees (Thite 2010). For instance, retailers such as Shoppers Stop and Fabindia are trying out innovative ways to recruit front-line women staff for shifts of four to six hours by teaming up with NGOs. For high-end positions, experienced professionals are hired from sectors such as fast-moving consumer goods, telecommunications, business process outsourcing and hospitality, while workers are poached from established retail players such as Shoppers Stop, Big Bazaar and Spencer's for back-end operations. Companies are also using referral programmes and internal hiring to meet their talent requirements (WNS 2008). Wipro has launched a programme called Campus Connect to form strategic alliances with leading technical colleges. The company offers high-performing students at these the opportunity to work on real projects, which not only helps Wipro to recruit the brightest talent but also fosters a spirit of mutual learning (Rao 2016). At the national level, the Retailers Association of India conducts a Common Admission Retail Test for the admission of candidates to its Postgraduate Programme in Retail Management (WNS 2008). In the business process outsourcing industry, NASSCOM has introduced industry-relevant certifications and a new assessment tool to identify talented individuals in various parts of the country (Kuruvilla and Ranganathan 2010). The adoption of practices that provide employees with a satisfactory work-life balance also helps to cast the recruitment net wider. For instance, Scope International offers flexible working hours for several positions, allowing housewives to pursue such jobs as well. Similarly, sales associates working for Marriott Hotels are permitted to take a break in their work schedules every other weekend. Aegis allows its employees to work part-time and offers female employees the opportunity to choose their core working hours (Rao 2016).

More recently, organizations seeking to enhance their recruitment activities are making use of artificial intelligence. For instance, the artificial-intelligence-backed application at DBS Bank has helped to make the screening process more efficient and applicant-friendly, while also freeing up the recruiter's valuable time. Following the deployment of Jobs Intelligence Maestro, the talent acquisition specialist takes only eight minutes to assess a candidate's résumé, rather than the 30 minutes that it used to take in the past. JIM can review résumés, collect applicants' responses to pre-screening questions and conduct psychometric profiling. It can also answer any job-related questions asked by the candidate

during the application process. On the basis of this assessment, a recruiter makes the final decision on whether the applicant should be summoned for a face-to-face interview with the hiring manager. Similarly, Tech Mahindra has introduced the humanoid K2 to take care of all mundane, repetitive and tedious HR transactions. K2 was designed to give HR personnel the time to concentrate more on employee development and other important activities and programmes for the workforce. It is also meant to help to improve the employee experience by resolving not just HR-related issues but also general employee queries and requests for payslips and forms.

4.3.4 Towards human-centred HR policies

The integration of global markets is compelling Indian businesses to design highly competitive strategies for the delivery of best value by both organizations and individuals (Hadfield-Hill 2014). Personnel specialists have been under great pressure to bring about large-scale structural changes and develop the capabilities of the domestic workforce so that it is able to tackle the challenges presented by the new economic environment (Budhwar and Sparrow 1997; Cooke and Saini 2010). In the aftermath of globalization, Indian firms have braced themselves for competition through creative and innovative HRM strategies and practices (Som 2006), with those engaged in providing services striving to emulate their foreign counterparts (Kinfe-michael and Morshed 2019). The HR departments of organizations have assimilated this new transformational role, particularly in service sectors such as IT, financial services, travel and tourism, and entertainment (Hadfield-Hill 2014). Some researchers have even argued that well-being and job satisfaction are central to HR practices in the Indian IT sector, which is generally regarded as highly innovative, professional, formal, structured and world class (Thite and Russell 2009).

Most organizations have begun to apply work environment standards resembling those in the West (Kuruville and Noronha 2016; Noronha and D’Cruz 2009). Employers are thus seeking to provide more congenial and satisfying workplaces, equipped with transport facilities, cafeterias, sports facilities, de-stress rooms, on-site childcare and health facilities comparable with those of their strongest competitors in the United States and elsewhere. There has also been an effort to create fun in the workplace, particularly in the business process outsourcing sector, with activities such as team outings, team parties and office gatherings organized frequently (Noronha and D’Cruz 2009, 2020). IT organizations have developed sophisticated HRM strategies to enable employees to become involved in collaborative activities, exchange feedback and knowledge, contribute ideas, engage in upward problem-solving with senior managers, and voice any concerns or disagreements. As an elaborate conflict resolution system, town hall meetings are organized to enable managers and employees to share their views and ask questions. Additionally, organizational social media sites and new means of communicating, including video messages and chats, have been introduced to facilitate an open dialogue with staff (Donnelly 2018; Noronha and D’Cruz 2016a). These HRM practices are considered

progressive in India, since power distance and hierarchy are deeply entrenched in the social and corporate context (Noronha and Magala 2017). Organizations are also providing opportunities for employees to mix informally with their managers over lunch, coffee or tea in an attempt to promote an egalitarian work culture. For example, in MindTree, senior executives are not encouraged to have individual offices, since all employees share cubicle spaces. This has helped to break down apparent barriers of authority, allowing employees across various levels to freely share their innovative ideas and fostering a culture of high performance (Rao 2016). To counter attrition, firms in the IT/ITES sector have adopted human capital management strategies and offer their employees high salaries, opportunities to work abroad, quick promotion, flexitime, parental leave, the option to telecommute from home and stock ownership plans (D’Cruz and Noronha 2006; Penfold 2009; Noronha and D’Cruz 2016b). While stock options are typically available to senior executives at firms, new employees and/or junior members are often financially tied to their employer either by two-year employment bonds or investments in their higher education (Donnelly 2018). Sponsoring postgraduate management education has helped to enhance not only individuals’ managerial competencies but also their employability (Cooke, Saini and Wang 2014).

Organizations are also seeking to increase the representation of women. For instance, through its “Evolve” programme, Flipkart is creating a conducive working environment for women through capability development and coaching. At the same company, an initiative called “Inspired” provides a platform for women engineers to network and stay abreast of the latest technological developments, while the “Girls Wanna Code” initiative promotes learning through hackathons. The “Vividhta” project has encouraged the participation of women across various roles and functions in the supply chain. In addition, Flipkart’s “Mom on Board” initiative supports new mothers and helps them to return to work (HRKatha 2020b). Similarly, under the “Vapasi” programme of ThoughtWorks, women with at least six years’ work experience who wish to resume their careers after a break receive guidance, mentoring and coaching aimed at boosting their confidence and enabling them to acquire new skills (HRKatha 2019). Building on its existing diversity and inclusion initiatives, Mondelez India has extended its Medclaim policy to cover live-in partners and same-sex partners. Effective from January 2021 onwards, this policy also covers the adopted and dependent children of domestic partners (HRKatha 2020c).

4.3.5 Narrowing disparities through social responsibility

In 2008, the Government tried to address the socio-economic disparities caused by economic liberalization by proposing to make it mandatory for companies to spend part of their profits on corporate social responsibility (CSR) activities. One year later, the Government relented under pressure from business and issued voluntary guidelines recommending that companies allocate 2 per cent of their revenue to CSR expenditure (Osuji and Obibuaku 2016). From 2009 to 2013, the Government played an active role in inducing companies to assume voluntarily greater responsibility for the social and

environmental issues besetting the country. Throughout this period, a series of guidelines were issued encouraging businesses to undertake CSR activities and publish CSR and sustainability reports. These included the CSR Voluntary Guidelines (2009), the Guidelines on CSR and Sustainability for Central Public Sector Enterprises (2010; revised in 2011 and 2013) and the National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business (2011). In 2012, the Securities and Exchange Board of India issued a circular instructing major public and private sector corporations to comply with the Business Responsibility Reporting Framework (Gatti et al. 2019).

However, the Government found that the uptake of these voluntary guidelines was unsatisfactory. In 2013, the Indian Companies Act was therefore amended to require large Indian companies to spend 2 per cent of their net profits on CSR activities annually and to disclose such expenditure in their financial statements and in a separate CSR report (Osuji and Obibuaku 2016). In the context of new market realities, the fact that the Indian Companies Act 2013 supports mandatory CSR is a sign of the growing collaboration between the Government and businesses on proactively tackling societal problems such as poverty and meeting national socio-economic goals (Bihari and Pradhan 2011; Osuji and Obibuaku 2016). Moreover, guidelines issued by the Reserve Bank of India require financial institutions to investigate the environmental and social sustainability of projects for which funding is being sought (Bihari and Pradhan 2011). In undertaking CSR activities, Indian companies seem therefore to be driven by the need to differentiate themselves for strategic reasons, rather than by ethical and moral considerations (Mukherjee and Bird 2016).

In contrast, the Social Compact,¹ a multi-stakeholder initiative, seeks to bring about an ethical transformation of Indian businesses to ensure greater dignity and equity for vulnerable workers and their families across industries and their supply chains. Co-led by NGOs and industry leaders, the initiative seeks to advance the principle that a responsible business should be regarded as a successful one. Drawing on the decades-long experience of NGOs that support informal and other vulnerable workers, the companies participating in the Social Compact are focusing on six human-centred outcomes: securing living wages; maximizing safety against accidents; ensuring health and social security cover; fostering gender equity; facilitating access to entitlements; and enabling participation in the future of work. Designed as a solution-oriented enablement platform, the Social Compact helps companies to reflect on and identify gaps in their HR practices and to integrate improvements into their day-to-day operations. It also offers industry partners and NGOs a collective space in which they can devise solutions together and achieve efficiencies of cost, resources and learning when implementing these solutions for all vulnerable workers in their ecosystem. Currently active in Pune, Mumbai and Ahmedabad, the Social Compact aims to expand deep and wide to ensure that the above-mentioned basic outcomes are attained for at least 1 million vulnerable workers and their families across India. It is

¹ See <https://www.workersinvisibility.org/social-compact.html>.

also working with industry bodies to mainstream this vision as the future of business for India – one where the social inclusion of workers is part of industry's own definition of success, resilience and sustainability. Similarly, the Safe in India Foundation, which is tackling the problem of severe injuries sustained by informal workers, has pointed out that the disruption caused by accidents adversely affects workers' motivation and productivity, thereby having a long-term impact on businesses.

In addition to assuming their social responsibility, it also makes good business sense for companies to reduce their carbon footprint. The National Green Tribunal has been coming down heavily on state-level governments that fail to provide safeguards against pollution and ordering companies to compensate workers for accidents caused by employers' lack of compliance with regulations. Investors generally prefer companies with lower environmental, social and governance risks, since these are more likely to deliver a sustainable financial performance (Dalal and Thaker 2019).

4.3.6 The COVID-19 pandemic and HR challenges

Shortly before the declaration of a nationwide lockdown in response to the COVID-19 pandemic, the Government issued an advisory on 20 March 2020 requiring private and public enterprises to retain employees, particularly casual and contract workers, and continue to pay them full wages. If workers took leave during the lockdown, they were to be deemed to be on duty without any ensuing deduction in wages. Moreover, if the place of employment halted operations owing to the pandemic, the employees of that unit would be deemed to be on duty. Non-compliance with this and other directives issued at the time would be punishable by fine and/or imprisonment. However, some private sector employers filed petitions with the Supreme Court challenging the constitutional validity of these directives. They demanded the freedom to fire or furlough their employees as necessary and requested government subsidies so that they could pay wages during the lockdown because of the steep decline in business activity. According to some employers, the advisories violated Articles 14, 19(1)(g) and 39 of the Constitution of India, being contrary to the principles of "equal pay for equal work" and "no work, no pay". They argued that the Government had no right to impose financial obligations on the private sector under the Disaster Management Act (Murthy 2020). This is understandable given that more than 95 per cent of non-food retailers had their shops closed during the lockdown and had no revenues. Around 1,000 front-line workers at one of India's oldest retail chains, Shoppers Stop, lost their jobs as a result of the pandemic (HRKatha 2020d). Similarly, several major hotel chains announced pay cuts of between 15 and 50 per cent for some staff members, including managers, or made them take unpaid leave (Chaturvedi 2020).

Employers' associations even demanded the suspension of labour laws – except for some key provisions such as those dealing with minimum wages, bonuses and statutory dues – across the country for the next two to three years to help industries to weather the crisis induced by the lockdown. Some industry bodies asked for working time to be extended

from 8 to 12 hours per day to revive operations. The employers' organizations also sought relaxation of the provisions of the Industrial Disputes Act stipulating that the lockdown period was to be treated as lay-off. In view of the difficulties faced by industries and the liquidity crisis, employers wanted to be able to use part of their CSR funds to pay their workers' wages (Chatterji, 2020). While salary increases were put on hold in the IT sector, many employers refrained from cutting jobs. The software exporter TCS honoured the job offers it had made to recent graduates (Bhattacharjee 2020), while Cognizant declared a 25 per cent increase in salaries as a token of gratitude for those working during the pandemic (Agarwal, Mandavia and Sangani 2020). To counter employee attrition, Vodafone Idea, despite having incurred losses for a number of years, gave all employees an extra month's pay together with their November 2020 salary on condition that they remained with the company until 31 March 2021. Indian companies also helped their employees to keep physically and mentally fit during the lockdown by advising them to observe a proper diet and to exercise regularly. In those mentally distressing times, some companies recruited psychologists and set up help desks and dedicated helplines to address employees' emotional needs (Bhattacharyya, Verma and Basu 2020). Others in the hospitality industry proactively enquired about the well-being of their employees (and their families) and shared advisories (*Economic Times* 2020).

The COVID-19 pandemic has also led to alternative ways of organizing work even though the outsourcing industry does not readily lend itself to working from home (see Noronha, D'Cruz and Kuruvilla 2016). Clients are beginning to accept such arrangements but demanding stronger security controls to prevent data breaches and cybersecurity threats. Moreover, NASSCOM argues that, to enable work from home, labour laws should be amended to cover issues of safety and health and income tax provisions reviewed for employees working from home (Agarwal, Mandavia and Sangani 2020).

4.4 Conclusions

In this chapter we have discussed the implications of megatrends such as globalization, demographic change, digitalization and environmental challenges for human-centred businesses.

It was presumed that globalization backed by India's favourable demographic transition would contribute to strong economic growth, resulting in employment. However, the growth rate of employment has lagged behind the economic growth rate. Moreover, the Indian economy has been relatively slow to undergo structural transformation, with a large number of workers still employed in agriculture. The service sector, which is the key driver of economic growth, accounts for just 26.8 per cent of employment. There currently exists a paradoxical situation whereby the number of educated unemployed seems to keep increasing, while many workers lack the level of education and skills required by employers. Thus, the optimism of scholars and policymakers regarding India's ability to harness its demographic dividend is misplaced (Singh 2016). This situation is

likely to be exacerbated by the disruption arising from the wider dissemination of digital technologies that are expected to profoundly transform the future of work. Routine work processes within the service sector have great potential for automation, which would result in job losses. With fewer jobs being created in the medium to long run, workers will need to be rapidly upskilled or reskilled. HR managers will have to provide opportunities for continuous learning and development, such as mentoring, coaching, leadership training, web-based training and customized training, with a view to retaining employees and enabling them to keep up with technological advances (Chaudhuri, Hirudayaraj and Ardichvili 2018). The most common strategies used by companies to address changing skill requirements include retraining existing employees and hiring new permanent staff with the necessary skills. Accordingly, organizations in various sectors have launched in-house staff development programmes and are collaborating with external educational and training institutions for the development and upskilling of their employees. In addition to providing training, employers seeking to increase the supply of skilled employees are obliged to cast their recruitment net wider and to adopt human capital management strategies to reward and recognize employees. Significantly, the COVID-19 crisis has highlighted the role of HR units in keeping employees engaged, motivated, safe and productive. Employees have to be supported through digital infrastructure (such as laptops and data cards) to ensure business continuity. Although many Indian organizations, as we have seen, are implementing the ILO's human-centred agenda by investing in people's capabilities and in decent and sustainable work (ILO 2019), they need to further develop institutions of work such as collective representation and collective bargaining.

Globalization has also given rise to environmental challenges. In order to retain the confidence of investors, companies will have to espouse sustainable business models and sound governance practices. It has become imperative for them to adopt sustainability reporting – including the disclosure of their performance on environmental, social and governance issues – to attract domestic and foreign capital flows at a lower cost than companies that are not socially responsible (Dalal and Thaker 2019; Sudha 2015). Regulators need to broaden the scope of mandatory disclosures to include the social and environmental impact of a company's activities. This will in the long term enhance sustainability business practices and increase shareholders' wealth (Dalal and Thaker 2019). Although most employment in the renewable sector is informal (Kumar and Majid 2020), the push towards increased reliance on renewable energy worldwide means that more decent job opportunities are likely to emerge in that sector in the near future (ILO 2019).

► References

- Agarwal, Surabhi, Megha Mandavia, and Priyanka Sangani. 2020. "IT Seeks Changes in Laws as Work from Home Set to Become Norm". *Economic Times*, 13 May 2020.
- Anwar, Ira Anjali, Joyojeet Pal, and Julie Hui. 2020. "Watched, but Moving: Platformization of Beauty Work and Its Gendered Mechanisms of Control". *Proceedings of the ACM on Human-Computer Interaction* 4 (CSCW3): 1–20.
- Athique, Adrian, and Vibodh Parthasarathi. 2020. "Platform Economy and Platformization". In *Platform Capitalism in India*, edited by Adrian Athique and Vibodh Parthasarathi, 1–19. Cham, Switzerland: Palgrave Macmillan.
- Bhattacharjee, Nivedita. 2020. "TCS Says Will Honour All New Job Offers, Including to 40,000 New Graduates". <https://www.livemint.com/news/india/tcs-says-will-honour-all-new-job-offers-including-to-40-000-new-graduates-11587111481118.html>.
- Bhattacharyya, Rica, Prachi Verma, and Sreeradha Basu. 2020. "In Times of COVID-19 Crisis, Top Companies Give Priority to Employees' Wellbeing". *Economic Times*, 3 April 2020.
- Bihari, Suresh Chandra, and Sudeepta Pradhan. 2011. "CSR and Performance: The Story of Banks in India". *Journal of Transnational Management* 16 (1): 20–35.
- Bloom, David E. 2011. "India's Baby Boomers: Dividend or Disaster?" *Current History* 110 (735): 143–149.
- Budhwar, Pawan. 2012. "Management of Human Resources in Foreign Firms Operating in India: The Role of HR in Country-Specific Headquarters". *International Journal of Human Resource Management* 23 (12): 2514–2531.
- Budhwar, Pawan, and Paul R. Sparrow. 1997. "Evaluating Levels of Strategic Integration and Devolvement of Human Resource Management in India". *International Journal of Human Resource Management* 8 (4): 476–494.
- Calvão, Filipe, and Kaveri Thara. 2019. "Working Futures: The ILO, Automation and Digital Work in India". In *The ILO @ 100: Addressing the Past and Future of Work and Social Protection*, edited by Christophe Gironde and Gilles Carbonnier, International Development Policy Series No. 11, 223–246. Boston, MA: Graduate Institute Publications.
- Chadee, Doren, Revti Raman, and Snejina Michailova. 2011. "Sources of Competitiveness of Offshore IT Service Providers in India: Towards a Conceptual Framework". *Competition & Change* 15 (3): 196–220.

- Chandrasekhar, C. P., Jayati Ghosh, and Anamitra Roychowdhury. 2006. "The 'Demographic Dividend' and Young India's Economic Future". *Economic and Political Weekly* 41 (49): 5055–5064.
- Chapman, Terri, Samir Saran, Rakesh Kumar Sinha, Suchi Kedia, and Sriram Gutta. 2018. *The Future of Work in India: Inclusion, Growth and Transformation*. Observer Research Foundation and World Economic Forum.
- Chatterji, Saubhadra. 2020. "Industry Bodies Urge Move to Boost Jobs". <https://www.hindustantimes.com/india-news/industry-bodies-urge-move-to-boost-jobs/story-g6Vx-nurBeIVXA0neKGskhK.html>.
- Chaturvedi, Anumeha. 2020. "COVID19: Hotels across the Board Undertake Pay Cuts, Give Unpaid Leave Options to Staff". *Economic Times*, 9 April 2020.
- Chaudhuri, Sanghamitra, Malar Hirudayaraj, and Alexandre Ardichvili. 2018. "Borrow or Grow: An Overview of Talent Development/Management Practices in Indian IT Organizations". *Advances in Developing Human Resources* 20 (4): 460–478.
- Chowdhury, Nupur. 2014. "Environmental Impact Assessment in India: Reviewing Two Decades of Jurisprudence". *IUCN Academy of Environmental Law eJournal* 5: 28–32.
- Cooke, Fang Lee, and Debi S. Saini. 2010. "(How) Does the HR Strategy Support an Innovation Oriented Business Strategy? An Investigation of Institutional Context and Organizational Practices in Indian Firms". *Human Resource Management* 49 (3): 377–400.
- Cooke, Fang Lee, Debi S. Saini, and Jue Wang. 2014. "Talent Management in China and India: A Comparison of Management Perceptions and Human Resource Practices". *Journal of World Business* 49 (2): 225–235.
- Dalal, Karishma K., and Nimit Thaker. 2019. "ESG and Corporate Financial Performance: A Panel Study of Indian Companies". *IUP Journal of Corporate Governance* 18 (1): 44–59.
- D'Cruz, Premilla, and Ernesto Noronha. 2006. "Being Professional: Organizational Control in Indian Call Centers". *Social Science Computer Review* 24 (3): 342–361.
- . 2010. "Employee Dilemmas in the Indian ITES–BPO Sector". In *Offshoring and Working Conditions in Remote Work*, edited by Jon C. Messenger and Naj Ghosheh, 60–100. Basingstoke: Palgrave Macmillan and Geneva: ILO.
- . 2016. "Positives Outweighing Negatives: The Experiences of Indian Crowdsourced Workers". *Work Organisation, Labour & Globalisation* 10 (1): 44–63.
- De, Rahul, Neena Pandey, and Abhisha Pal. 2020. "Impact of Digital Surge during Covid-19 Pandemic: A Viewpoint on Research and Practice." *International Journal of Information Management* 55.

- Dilay, Ariane, Alan P. Diduck, and Kirit Patel. 2020. "Environmental Justice in India: A Case Study of Environmental Impact Assessment, Community Engagement and Public Interest Litigation". *Impact Assessment and Project Appraisal* 38 (1): 16–27.
- Donnelly, Rory. 2018. "Using Involvement to Enhance Employee Engagement in IT Firms: Examining Leadership Initiatives in a Key Developing National Context". *New Technology, Work and Employment* 33 (2): 187–201.
- Economic Times*. 2020. "People First initiative by ITC Hotels Focus on Work Force". 15 April 2020. <https://hospitality.economicstimes.indiatimes.com/news/hotels/people-first-initiative-by-itc-hotels-focus-on-work-force/75162766>.
- Ferus-Comelo, Anibe. 2014. "CSR As Corporate Self-Reporting in India's Tourism Industry". *Social Responsibility Journal* 10 (1): 53–67.
- Gatti, Lucia, Babitha Vishwanath, Peter Seele, and Bertil Cottier. 2019. "Are We Moving beyond Voluntary CSR? Exploring Theoretical and Managerial Implications of Mandatory CSR Resulting from the New Indian Companies Act". *Journal of Business Ethics* 160 (4): 961–972.
- Gill, Gitanjali Nain. 2013. "Access to Environmental Justice in India with Special Reference to National Green Tribunal: A Step in the Right Direction". *OIDA International Journal of Sustainable Development* 6 (4): 25–36.
- Gurumurthy, Anita, Nandini Chami, and Sanjana Thomas. 2016. "Unpacking Digital India: A Feminist Commentary on Policy agendas in the Digital Moment". *Journal of Information Policy* 6: 371–402.
- Hadfield-Hill, Sophie. 2014. "CSR in India: Reflections from the Banking Sector". *Social Responsibility Journal* 10 (1): 21–37.
- HRKatha. 2019. "ThoughtWorks to Train Women Techies and Help Them Resume Work after Career Break". 18 July 2019.
- . 2020a. "Microsoft–NASSCOM Tie Up to Skill 10 Lakh Students in AI". 11 September 2020.
- . 2020b. "Flipkart Commits to Taking Forward the D&I Agenda". 30 November 2020.
- . 2020c. "Mondelez India Strengthens D&I Agenda, Offers Mediclaim to Live-in Partners". 29 September 2020.
- . 2020d. "Over 1,100 Employees Laid Off at Shoppers Stop". 12 June 2020.
- ILO. 2018. *World Employment and Social Outlook 2018: Greening with Jobs*.
- . 2019. *Work for a Brighter Future: Global Commission on the Future of Work*.
- India, MEIT (Ministry of Electronics and Information Technology). 2019. *India's Trillion-Dollar Digital Opportunity*.

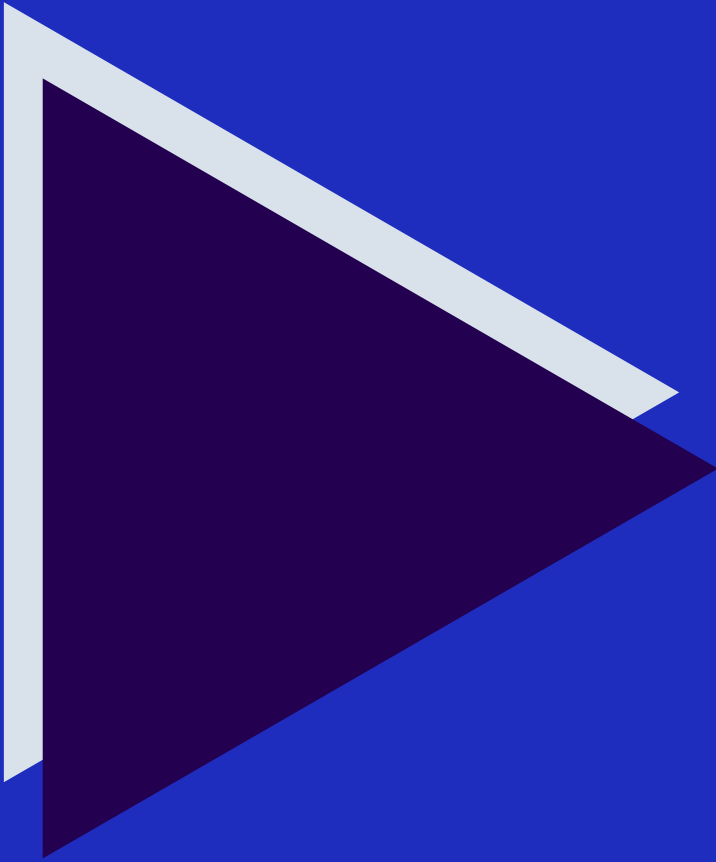
- India, MHRD (Ministry of Human Resource Development). 2018. *All India Survey on Higher Education 2018–19*.
- Islam, Iyanatul. 2018. “Automation and the Future of Employment: Implications for India”. *South Asian Journal of Human Resources Management* 5 (2): 234–243.
- Joe, William, Abhishek Kumar, and Sunil Rajpal. 2018. “Swimming against the Tide: Economic Growth and Demographic Dividend in India”. *Asian Population Studies* 14 (2): 211–227.
- Kathuria, Rajat, Mansi Kedia, Gangesh Varma, Kaushambi Bagchi, and Saumitra Khullar. 2017. “Future of Work in a Digital Era: The Potential and Challenges for Online Freelancing and Microwork in India”. Indian Council for Research on International Economic Relations.
- Kinfemichael, Bisrat, and A.K.M. Mahbub Morshed. 2019. “Unconditional Convergence of Labor Productivity in the Service Sector”. *Journal of Macroeconomics* 59: 217–229.
- Kohli, Atul. 2007. “State, Business, and Economic Growth in India”. *Studies in Comparative International Development* 42 (1–2): 87–114.
- Kotler, Philip. 2002. *Marketing Management: Analysis, Planning, Implementation, and Control*, 9th ed. Englewood Cliffs, NJ: Prentice Hall.
- Krishnamurty, Jayasankar, and Abhay Kumar. 2015. “The Demographic Dividend: Challenges to Employment and Employability”. *Indian Journal of Labour Economics* 58 (1): 43–65.
- Kumar, Charles Rajesh, and M.A. Majid. 2020. “Renewable Energy for Sustainable Development in India: Current Status, Future Prospects, Challenges, Employment, and Investment Opportunities”. *Energy, Sustainability and Society* 10 (1): 1–36.
- Kuruville, Sarosh, and Ernesto Noronha. 2016. “From Pyramids to Diamonds: Legal Process Offshoring, Employment Systems, and Labor Markets for Lawyers in the United States and India”. *ILR Review* 69(2): 354–377.
- Kuruville, Sarosh, and Aruna Ranganathan. 2010. “Globalisation and Outsourcing: Confronting New Human Resource Challenges in India’s Business Process Outsourcing Industry”. *Industrial Relations Journal* 41 (2): 136–153.
- Maitra, Saikat, and Srabani Maitra. 2018. “Producing the Aesthetic Self: An Analysis of Aesthetic Skill and Labour in the Organized Retail Industries in India”. *Journal of South Asian Development* 13 (3): 337–357.
- Majid, Nomaan. 2019. “Structural Change and Employment in India”, ILO/SIDA (Swedish International Development Cooperation Agency) Partnership on Employment Working Paper No. 1.

- Masharu, Utsav, and Muhammad Ali Nasir. 2018. "Policy of Foreign Direct Investment Liberalisation in India: Implications for Retail Sector". *International Review of Economics* 65 (4): 465–487.
- Mashelkar, Raghunath Anant. 2018. "Exponential Technology, Industry 4.0 and Future of Jobs in India". *Review of Market Integration* 10 (2): 138–157.
- Mazumdar, Surajit. 2010. "Indian Capitalism: A Case that Doesn't Fit", ISID Working Paper No. 2010/10. Institute for Studies in Industrial Development.
- Mondal, Sanghita, and Manoj Pant. 2020. "FDI and Export Spillovers: A Case Study of India". In *Accelerators of India's Growth: Industry, Trade and Employment*, edited by Suresh Chand Aggarwal, Deb Kusum Das and Rashmi Banga, 177–208. Singapore: Springer.
- Mukherjee, Abhishek, and Ron Bird. 2016. "Analysis of Mandatory CSR Expenditure in India: A Survey". *International Journal of Corporate Governance* 7 (1): 32–59.
- Murthy, Ayswarya. "Modi's Asked Indian Firms to 'Be Kind' amid Lockdown but Many Workers Have Not Been Paid Their Wages". Scroll.in, 8 May 2020.
- Nölke, Andreas, Tobias ten Brink, Christian May, and Simone Claar. 2020. *State-Permeated Capitalism in Large Emerging Economies*. New York: Routledge.
- Noronha, Ernesto, and David Beale. 2011. "India, Neo-liberalism and Union Responses: Unfinished Business and Protracted Struggles". In *The International Handbook of Labour Unions: Responses to Neo-liberalism*, edited by Gregor Gall, Adrian Wilkinson and Richard Hurd, 167–186. Cheltenham: Edward Elgar.
- Noronha, Ernesto, and Premilla D'Cruz. 2009. *Employee Identity in Indian Call Centres: The Notion of Professionalism*. New Delhi: Sage/Response.
- . 2016a. "Creating Space: The Role of the State in the Indian IT-Related Offshoring Sector". In *Space, Place and Global Digital Work*, edited by Jörg Flecker, 151–168. London: Palgrave Macmillan.
- . 2016b. "Still a Distance to Go: Social Upgrading in the Indian ITO-BPO-KPO Sector". In *Labour in Global Value Chains in Asia*, edited by Dev Nathan, Meenu Tewari and Sandip Sarkar, 423–449. Cambridge: Cambridge University Press.
- . 2017. "The World of Work in Contemporary India: The Relevance of a Critical Lens". In *Critical Perspectives on Work and Employment in Globalizing India*, edited by Ernesto Noronha and Premilla D'Cruz, 1–12. Singapore: Springer.
- . 2020. "The Indian IT Industry: A Global Production Network Perspective", IPE Working Paper No. 134/2020. Berlin School of Economics and Law, Institute for International Political Economy Berlin.

- Noronha, Ernesto, Premilla D’Cruz, and Sarosh Kuruvilla. 2016. “Globalisation of Commodification: Legal Process Outsourcing and Indian Lawyers”. *Journal of Contemporary Asia* 46 (4): 614–640.
- Noronha, Ernesto, and Slawek Magala. 2017. “Going Dutch, Remaining Indian: The Work Experiences of IT Expatriates”. In *Critical Perspectives on Work and Employment in Globalizing India*, edited by Ernesto Noronha and Premilla D’Cruz, 283–303. Singapore: Springer.
- Osuji, Onyeka K., and Ugochukwu L. Obibuaku. 2016. “Rights and Corporate Social Responsibility: Competing or Complementary Approaches to Poverty Reduction and Socioeconomic Rights?” *Journal of Business Ethics* 136 (2): 329–347.
- Patel, Kirit, and Kathryn Dey. 2013. “The Trajectory of Environmental Justice in India: Prospects and Challenges for the National Green Tribunal”. In *Perspectives on Governance and Society*, edited by Neelam Trivedi, Tim A. Mau, Dharendra Vajpeyi and Srinath Prasad Dwivedi, 160–174. New Delhi: Rawat Publications.
- Penfold, Carolyn. 2009. “Off-Shored Services Workers: Labour Law and Practice in India”. *Economic and Labour Relations Review* 19 (2): 91–106.
- Pollin, Robert, and Shouvik Chakraborty. 2015. “An Egalitarian Green Growth Programme for India”. *Economic and Political Weekly* 50 (42): 38–51.
- Rai, Shivam, and Jogendra Kumar Nayak. 2019. “Hospitality Branding in Emerging Economies: An Indian Perspective”. *Journal of Tourism Futures* 5 (1): 22–34.
- Rao, Pramila. 2016. “Investment and Collaboration: The Indian Model for ‘Best’ HRM Practices”. *Journal of Asia Business Studies* 10 (2): 125–147.
- Raval, Noopur, and Joyojeet Pal. 2019. “Making a ‘Pro’: ‘Professionalism’ after Platforms in Beauty-Work”. *Proceedings of the ACM on Human-Computer Interaction* 3 (CSCW).
- Rodgers, Gerry. 2020. “Labour and Employment in India: A 50-Year Perspective”. *Indian Journal of Labour Economics* 63: 1–19.
- Roland Berger. 2016. “Skill Development for Industry 4.0”. White Paper prepared for Eighth BRICS Summit, Goa, 16–17 October 2016.
- Roychowdhury, Supriya, and Carol Upadhyia. 2020. *India’s Changing Cityscapes: Work, Migration and Livelihoods*. NIAS Project Report No. NIAS/SSc/UMS/U/RR/01/2020. Institute for Social and Economic Change and National Institute of Advanced Studies.
- Saraf, Radhika. 2016. “Skill Training or Nipping Potential in the Bud?” *Economic and Political Weekly* 51 (18): 16–19.
- Sharma, Padmini. 2017. “Services in Virtual World: Understanding Work in Delivery Service of E-retailing”. *Management and Labour Studies* 42 (4): 339–355.

- Shrotria, Sudha. 2015. "Environmental Justice: Is the National Green Tribunal of India Effective?" *Environmental Law Review* 17 (3): 169–188.
- Sinclair, A. John, and Alan P. Diduck. 2000. "Public Involvement in Environmental Impact Assessment: A Case Study of Hydro Development in Kullu District, Himachal Pradesh, India". *Impact Assessment and Project Appraisal* 18 (1): 63–75.
- Singh, Ajit Kumar. 2016. "India's Demographic Dividend: A Sceptical Look". *Indian Journal of Human Development* 10 (1): 10–26.
- Singh, Anjana, and Prashanti Jaykumar. 2019. "On the Road to Consensus: Key Soft Skills Required for Youth Employment in the Service Sector". *Worldwide Hospitality and Tourism Themes* 11 (1): 10–24.
- Singh, Sarwant. 2012. *New Mega Trends: Implications for Our Future Lives*. Basingstoke: Palgrave Macmillan.
- Som, Ashok. 2006. "Bracing for MNC Competition through Innovative HRM Practices: The Way Ahead for Indian Firms". *Thunderbird International Business Review* 48 (2): 207–237.
- Statista. 2020a. "Internet Usage in India: Statistics and Facts". <https://www.statista.com/topics/2157/internet-usage-in-india>.
- . 2020b. "E-commerce in India: Statistics and Facts". <https://www.statista.com/topics/2454/e-commerce-in-india/>.
- Sudha, Srinivasan. 2015. "Risk-Return and Volatility Analysis of Sustainability Index in India". *Environment, Development and Sustainability* 17 (6): 1329–1342.
- Talreja, Chaitanya. 2014. "India's Demographic Dividend: Realities and Opportunities". *Indian Journal of Labour Economics* 57 (1): 139–155.
- Tandem Research. 2018. "Emerging Technologies and the Future of Work in India", ILO Asia-Pacific Working Paper Series.
- Thite, Mohan. 2010. "All that Glitters Is Not Gold: Employee Retention in Offshored Indian Information Technology Enabled Services". *Journal of Organizational Computing and Electronic Commerce* 20 (1): 7–22.
- Thite, Mohan, and Bob Russell. 2009. "Human Resources Management in Indian Call Centers: Business Process Outsourcing". In *The Next Available Operator: Managing Human Resources in the Indian Business Process Outsourcing Industry*, edited by Mohan Thite and Bob Russell, 33–58. New Delhi: SAGE Publications.
- Thomas, Pradip Ninan. 2012. *Digital India: Understanding Information, Communication and Social Change*. New Delhi SAGE Publications.

- Verick, Sher. 2018. "The Puzzles and Contradictions of the Indian Labour Market: What Will the Future of Work Look Like?", IZA Discussion Paper No. 11376. IZA Institute of Labor Economics.
- Wadhwa, Vivek, Una Kim de Vitton, and Gary Gereffi. 2008. "How the Disciple Became the Guru: Is It Time for the U.S. to Learn Workforce Development from Former Disciple India?". Report prepared for the Ewing Marion Kauffman Foundation.
- Weissbrodt, David. 2008. "Keynote Address: International Standard-Setting on the Human Rights Responsibilities of Businesses". *Berkeley Journal of International Law* 26 (2): 373–391.
- Williams, Glyn, and Emma Mawdsley. 2006. "Postcolonial Environmental Justice: Government and Governance in India". *Geoforum* 37 (5): 660–670.
- WNS (WNS Global Services). 2008. "Indian Organized Retail Industry: A Perspective on Staffing".
- World Bank. 1991. "India Country Strategy Paper".



Chapter 5

Towards a human-centred business and economic model? Megatrends and human resources management in China*

Fang Lee Cooke (*Monash University, Melbourne*)

► Abstract

Although HRM in China is often considered to be at a rudimentary stage, a number of leading firms have been quite innovative in developing HRM practices as part of their strategy to attract and retain talented staff and enhance organizational competitiveness. This chapter outlines some of the developments in business models at the industry and firm level in China with reference to the broad economic context and challenges. It identifies locally developed HRM strategies (such as those devised by municipalities and companies), policies and practices; addresses specific challenges in this field; and illustrates how a systematic transformation is possible, driven by the evolution of the State's governance ideology and aided by digital technology. Pragmatism, flexibility and a bottom-up approach are identified as among the common characteristics of well-performing firms. The chapter also shows how these developments have led, if only to a limited extent, to improved HRM outcomes, thereby contributing to the implementation of the human-centred agenda for the future of work promoted by the ILO. These are, however, only snapshots of certain aspects of good and new HRM practices in some of the most successful Chinese companies. Even in the case of seemingly good practices, the extent to which they are indeed human centred is debatable.

* The support of the Economic and Social Research Council (ESRC) through the Digital Futures at Work Research Centre (grant no. ES/S012532/1) is gratefully acknowledged.

5.1 Introduction

Following China's adoption of its open-door policy in the late 1970s as part of a new economic development strategy, the country's economic paradigm has undergone fundamental transformation – from a predominantly state-owned economy towards a market-oriented economy with diverse ownership forms, business models, and labour and HRM practices. Earlier studies have captured some of these developments, analysing critically both their positive and negative impacts (see, for example, Hassard et al. 2007; Kuruvilla, Lee and Gallagher 2011). The forces driving institutional transformation and adaptation have also been identified (see, for instance, Meng 2000; Witt and Redding 2014). Despite the criticisms raised, the role of the private sector has been pivotal throughout the four decades of economic and social transformation. While the high rates of economic growth in the first three decades were achieved through a relatively cheap and abundant supply of willing labour, with limited concern for the environment and the well-being of workers, a shift towards a more environment- and people-centred development agenda in strategy and policy is evident at both the government and business level as the country faces increasing environmental problems, widening wage gaps, skills shortages and high employee turnover. The idea of putting people at the centre, ostensibly based on Marxian historical materialism, has underpinned the country's governance ideology and development strategy since the 18th National Congress of the Communist Party of China in 2012 (He 2020). As China embarks on an upgrading of its economy to enhance its international competitiveness sustainably, a human-centred economic and business model is being piloted in some sectors and firms.

The purpose of this chapter is to identify locally developed HRM strategies (such as those devised by municipalities and companies), policies and practices; to address specific challenges in this field; and to illustrate how a systematic transformation is possible, driven by the evolution of the State's governance ideology and aided by digital technology. The chapter also shows how these developments have led, if only to a limited extent, to improved HRM outcomes, thereby contributing to the implementation of the human-centred agenda for the future of work promoted by the ILO (see ILO 2019a).

The analysis draws on first-hand empirical data from research projects in which the author has participated and on publicly available secondary data covering several industries, including ICT, banking and finance, hospitality, real estate and e-commerce/retail. Owing to space constraints, this chapter is not intended to provide a comprehensive evaluation of developments across all sectors or an in-depth study of the companies discussed. It should be emphasized that many challenges and problems persist with regard to the economic and business models currently used in China (Yang and Zhao 2015), as do broader social issues that remain serious obstacles to improving the prospects of decent work for Chinese workers (cf. Cooke, Xu and Bian 2019; Feng, Cooke and Zhao 2020). These issues are not discussed here because the focus of this chapter is on identifying changes in business models and the driving forces behind them, and on determining the extent to which these changes may contribute to a human-centred agenda. A preliminary

discussion is also offered on government policy and business responses in combating the COVID-19 crisis and reviving the economy, both of which have implications for economic restructuring at all levels. For example, the disintegration of global supply chains has led to enterprises and jobs being redesigned – a process facilitated by the accelerating adoption of digital technologies – and, consequently, to changes in employment and HRM practice.

It is argued that the roles of the State (including government agencies and educational institutions), trade unions, business and technology are critical to implementing a human-centred agenda for the future of work. This chapter also highlights the need to contextualize the concept of a “human-centred” approach to HRM and to understand what it means for a country like China, and indeed other emerging economies, where material rewards remain key in motivating and retaining younger workers (Lin, Trenberth and Kelly 2010). In other words, a human-centred approach to HRM needs to balance intrinsic incentives with pecuniary ones.

5.2 External environment for businesses and HRM

Context is important in understanding HRM in specific organizational and national settings (Cooke 2018; Jackson and Schuler 1995). Thus, Jackson and Schuler (1995) argue that when studying HRM practices it is necessary to take into account both the internal (organizational size, corporate structure and business strategy) and external (trade union, labour regulations, national culture, and economic and political systems) contexts in which an enterprise operates. In China, as a result of the ongoing market transformation, firms may be more likely to follow a cost-reduction strategy, which militates against the use of commitment-oriented HRM systems like those typically adopted by their Western counterparts (Su and Wright 2012). At the same time, the accelerating development of (digital) technologies and deterioration of the environment are presenting businesses with both unprecedented opportunities and challenges. This section first explores several important aspects of the external business environment, namely the demographic characteristics of the labour force; labour regulations and the role of key institutional actors; global economic uncertainty; technological developments; and environmental concerns. With the broader context having thus been set, the following section (5.3) discusses HR opportunities and challenges as perceived by businesses.

5.2.1 Demographics and labour force characteristics

According to the National Bureau of Statistics of China (NBSC 2019), the country's population was nearly 1.4 billion in 2018. Over 71 per cent were aged between 15 and 64 years, of which the six largest age groups were: 25–29 years (8.12 per cent), 30–34 years (8.14 per cent), 35–39 years (7.15 per cent), 40–44 years (7.30 per cent), 45–49 years (8.94 per cent) and 50–54 years (8.46 per cent). Over 51 per cent of the population were male, and about 60 per cent were urban residents (NBSC 2019). Urban residents enjoy

better social security coverage than those living in rural areas – a legacy of the dualistic household registration system that was adopted by the Government in the early stages of socialism in China (Chan 2015; Wang and Liu 2018). While the provision of social security for the rural population has improved in recent years, major gaps still exist. As a result, millions of farmers have been migrating to urban areas in search of employment so they can support their families back home: the inflow of rural migrant workers to urban areas started in the late 1980s, reaching over 288 million in 2018 (Statista 2019).

China had a labour force of over 811 million in 2019, of which 442 million were employed in urban areas and 332 million in the countryside. Nearly 72 per cent of the labour force were employed in the secondary and tertiary sectors (27 and 45 per cent, respectively) (NBSC 2020). Among those in urban employment, 13 per cent were employed in state-owned companies, and 5.4 per cent in foreign-funded and in Hong Kong-, Taiwan- and Macao-funded businesses. In contrast, over 32 per cent were employed in domestic private businesses and 24 per cent were self-employed (NBSC 2020). In 2019, the average annual wage was 82,413 Chinese yuan (1 US dollar = 7.08 yuan in June 2020; NBSC 2019). There is significant disparity in wage income across industrial sectors (see table 5.1). In 2018, 19.1 per cent of the workforce held technical college diplomas or university degrees, 6.3 per cent had vocational qualifications and 12.8 per cent had certificates of graduation from secondary senior school as their highest level of educational attainment (NBSC 2019).

► **Table 5.1. Average national wage in selected industrial sectors, 2018 (yuan)**

Sector	Average national wage (yuan)
Manufacturing	72 088
Construction	60 501
Wholesale and retail trade	80 551
Hotel and catering services	48 260
Information technology	147 678
Finance	129 837
Real estate	75 281
All sectors	82 413

Source: Compiled by the author from NBSC (2019).

In 2019, the number of rural migrant workers accounted for nearly 38 per cent of the total workforce, and the share of college and university graduates in the latter rose from 29 per cent in 2010 to nearly 50 per cent in 2019 (Hefengbanyue 2020). Since the massive expansion of higher education in the early 2000s, finding employment has been a perennial problem for university graduates. With 8.74 million students graduating from higher education in 2020 and 50 million rural migrant workers laid off by their employers by April 2020 owing to the impact of the COVID-19 crisis, employment pressure has been greatly exacerbated (Hefengbanyue 2020). The Government therefore issued an important policy statement to the effect that maintaining employment was the top priority of the post-COVID-19 recovery, not the pursuit of GDP growth. Nevertheless, maintaining employment will eventually contribute to economic growth too. The resumption of economic activities, including production, services and trading (via e-commerce and self-employed street vendors), has been encouraged to attract investment and stimulate consumption.

5.2.2 Labour regulations and the role of key institutional actors

The labour regulatory environment in China is generally favourable to enterprises in that, while a number of laws are in place to protect workers' rights – notably the Labour Act (enacted in 1995), the Labour Contract Act (2008) and the Labour Dispute Mediation and Arbitration Act (2008) – the enforcement of these laws has been somewhat flexible (for a more detailed discussion, see Cooney, Biddulph and Zhu 2013; Chen and Gallagher 2018). Labour laws and other statutory legislation are often supplemented by administrative/policy regulations issued by the central, provincial and local governments, which may override and/or dilute the statutory regulations (Cooke 2011a), as was the case during the COVID-19 pandemic. In an effort to maintain employment as the country emerges from the crisis, the Government is encouraging non-standard employment by relaxing various laws and regulations (including labour regulations and municipal management regulations) to facilitate, for example, petty trade.

The State continues to play an influential role in shaping industrial relations through its agencies at all levels, including the local governments and trade union organizations. Only one trade union – the All-China Federation of Trade Unions – is officially recognized by the Government. It operates under the aegis of the Chinese Communist Party and is expected to participate in dispute resolution (Chang and Cooke 2015). Over 60 per cent of the workforce are in non-standard employment, a large proportion of whom are rural migrant workers. Workers in this category are largely unorganized, have little collective bargaining power and are often not (well) covered by the existing labour regulations in theory or in practice (Cooke and Brown 2015; for a more detailed discussion of the collective contract system, see also Lee, Brown and Wen 2016; Lei 2017).

5.2.3 Global economic uncertainty

The Chinese economy is to a great extent driven by its manufacturing industry, which is mainly at the medium to lower end of the spectrum of technological sophistication

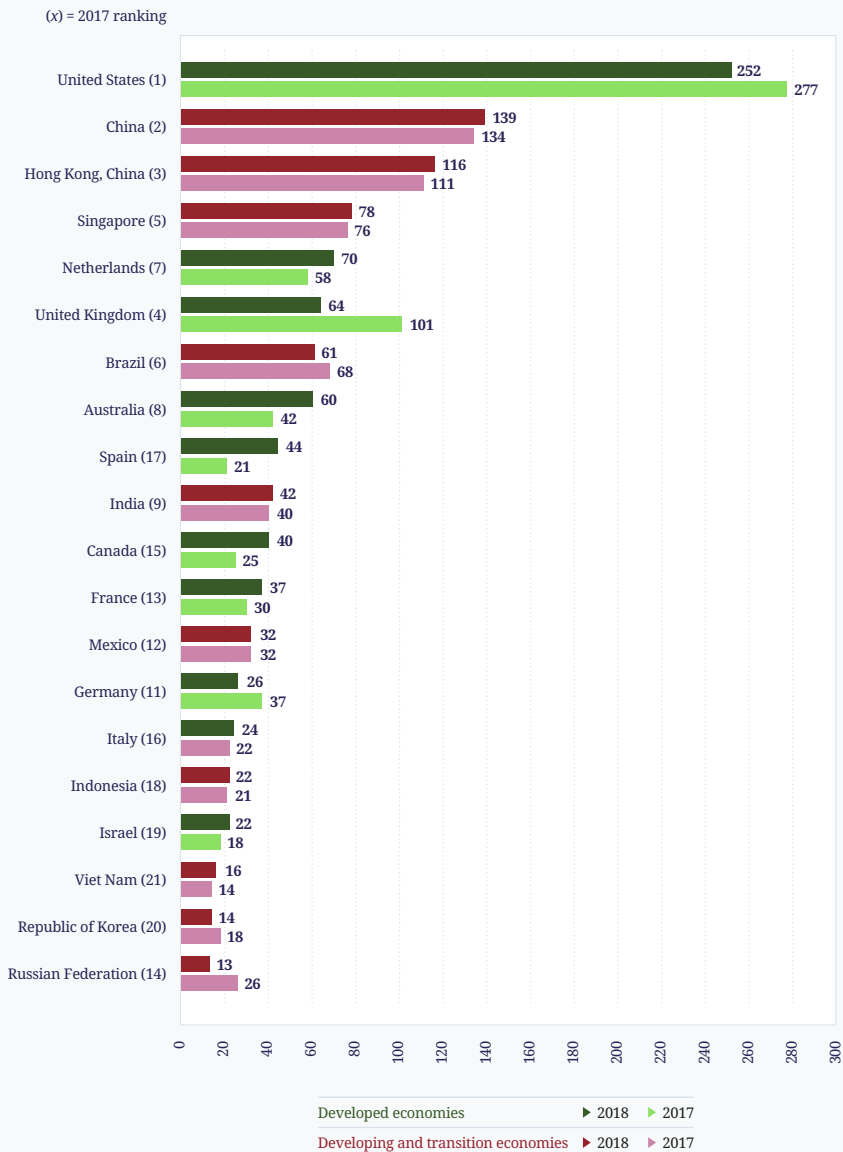
and value. It is no coincidence that China has been dubbed the “factory of the world”. However, its dominant status in global manufacturing is increasingly being challenged by emerging economies in South and South East Asia, such as India, Viet Nam, Malaysia, Thailand, the Philippines, the Lao People’s Democratic Republic and Cambodia, which offer an abundant young workforce at even lower wages. Manufacturing facilities have been relocated and foreign direct investment (FDI) (re)directed to these countries.

Nevertheless, China has remained one of the top FDI recipient countries for many years. According to the World Investment Report 2019 (UNCTAD 2019), China was the second-largest recipient of such investment in 2017 and 2018 after the United States (see figure 5.1). The same report also reveals that, in 2018, multinational enterprises (MNEs) from developed countries reduced their investments abroad by 40 per cent, such that “their share in global outward FDI dropped to 55 per cent – the lowest ever recorded” (UNCTAD 2019, 5). This significant decline was mainly due to “the impact of the large-scale repatriations of accumulated foreign earnings by United States MNEs” (UNCTAD 2019, 5).

Outward investment by MNEs from developing countries, particularly from Asia, also declined by 10 per cent (UNCTAD 2019, 6). More specifically, investment by Chinese MNEs declined in 2018 for the second consecutive year, by 18 per cent, partly as a result of government policies to curb overseas investment, and partly because of increased screening of inward investment in the United States and Europe (UNCTAD 2019, 6). Still, in 2018, China was the second-largest investor in the world after Japan (UNCTAD 2019, 6; see also figure 5.2 below). As the relationship between China and the United States (and the latter’s allies) further deteriorates, in part as a result of the COVID-19 pandemic, it is to be expected that Chinese MNEs will face many challenges in their international expansion and operations in the near future (see also World Bank 2020).

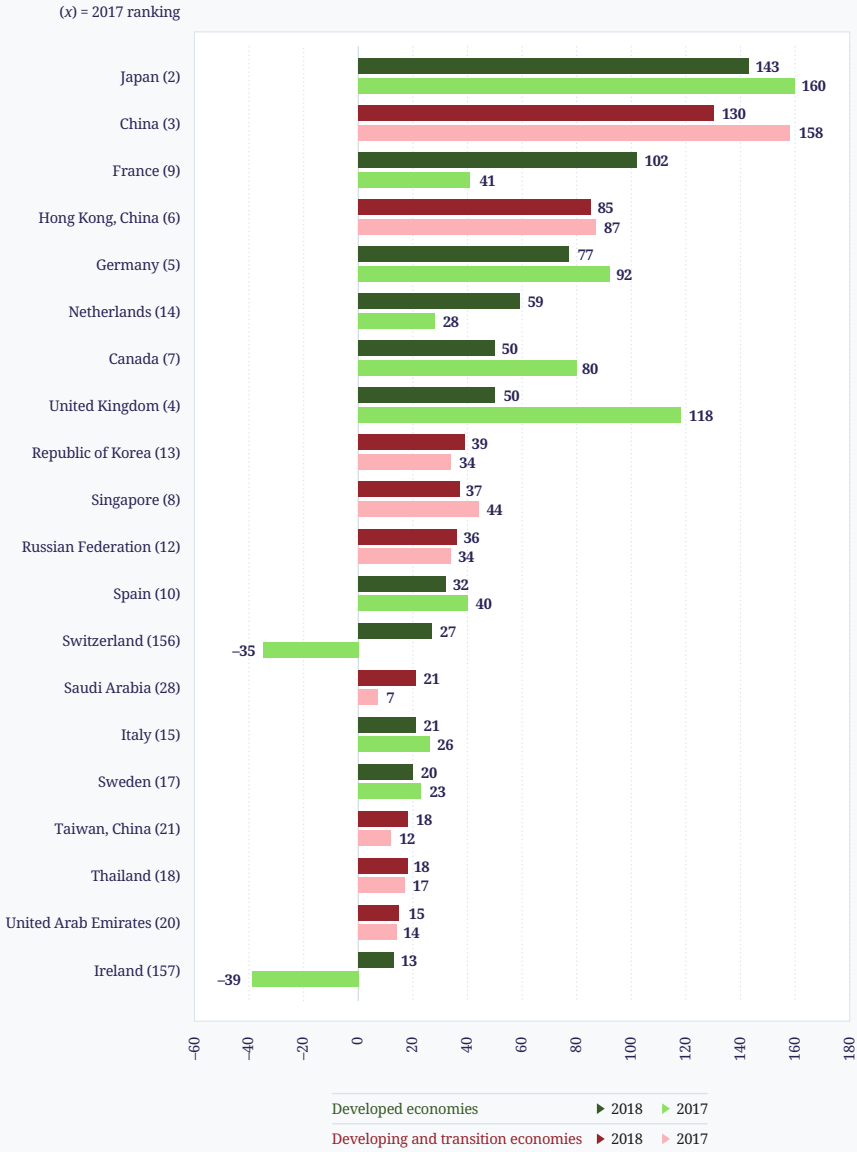
The COVID-19 pandemic has undoubtedly affected China’s economy, not least because of the severe disruption of global supply chains. For example, initial factory closures from late January to March 2020 to prevent the virus from spreading in China resulted in a global shortage of raw materials, parts and equipment. This had a domino effect on major economies, such as the United States, Japan, the Republic of Korea and a number of European countries. In the automotive industry, some companies temporarily had to suspend their production outside China owing to the shortage of Chinese-manufactured parts. In Myanmar, an emerging market with a young population of 54 million, a large number of garment factories (many of which were Chinese operated) had to shut down because of delays in the shipment of raw materials from China, rendering thousands of workers unemployed. In China itself, once factories resumed production after the lockdown period, many export-oriented companies, especially in Guangdong Province, found that they had to lay off workers (many of them rural migrant workers) within two weeks of reopening as a result of the cancellation of overseas orders and international transport blockages. To support the rural migrant workers who lost their jobs, the Government swiftly mobilized technical and vocational colleges and other educational institutions, tasking them with the provision of free online skills training on a large scale.

► Figure 5.1. Top 20 recipients of FDI inflows, 2017 and 2018 (US\$ billion)



► Source: UNCTAD (2019, 4).

► Figure 5.2. Top 20 home economies for FDI outflows, 2017 and 2018 (US\$ billion)



► Source: UNCTAD (2019, 7).

It has been reported that the disruption of global supply chains caused by the COVID-19 crisis has prompted major developed economies, such as Japan, to seriously consider bringing their core production activities back home or to spread them more widely in the world, rather than concentrating them in China (Nakamura 2020). The restructuring of global supply chains, together with the post-COVID-19 economic slowdown, may lead to a continuing reduction of FDI inflows to China in the foreseeable future. Indeed, the Government is taking steps to adjust the country's economic structure and find ways of employing or upskilling displaced rural migrant workers. For instance, in late May 2020, the Ministry of Agriculture and Rural Affairs launched an initiative to provide high-quality training to 1 million farmers by creating 100 skills-training schools. This initiative takes the form of a three-year plan involving multiple stakeholders, including local governments, educational institutions, leading agricultural businesses, and villages. Its aim is to promote the all-round development of farmers and equip them with up-to-date knowledge and skills so that they can be employed in or near their home towns and villages. Instead of classroom-based instruction, flexible and effective training methods will be adopted that emphasize practical training near the farmers' homes. Given the rapid development and innovative use of digital technologies, including online teaching and learning, prompted by the COVID-19-related lockdown, this plan certainly seems feasible (China, MARA 2020). Large-scale skills-training initiatives of this kind, if conducted sustainably, are very likely to result in an upskilled workforce, thereby benefiting businesses, the national economy and, ultimately, the international competitiveness of China.

5.2.4 Technological developments

Over the past decade or so, China's economic development has been driven by its rapid progress in technology, particularly in the area of digital technologies. Technological innovation has been one of the key strategic elements in the Government's Five-Year Plans. In July 2017, the State Council of China issued the Next-Generation Artificial Intelligence Development Plan (China, State Council 2017). The Plan sets out how artificial intelligence is to be used to upgrade the Chinese manufacturing and service industries and catch up with advanced economies. It is part of China's efforts to build an advanced technology ecosystem that will reduce its vulnerability and dependence on developed countries for core technologies.

According to the Ministry of Industry and Information Technology, accelerating the integration of the internet and production areas has helped to transform and upgrade the real economy. By 2017, the networking rate of digital production equipment was approaching 40 per cent, and more than 30 per cent of manufacturing enterprises and over 20 per cent of service-oriented manufacturing enterprises had also achieved network collaboration (cited in THINKTANK 2020).

During 2016–20 (the period of the 13th Five-Year Plan), China's industrial structure underwent some significant changes as the country pursued the goal of becoming a

high-tech economy – to be achieved in part by moving towards mid- to higher-end advanced manufacturing and making more sophisticated products with higher added value (THINKTANK 2020). Although there is still a long way to go before China can approach the manufacturing capability of developed economies such as Germany and Japan, the country’s automation drive reflects the strong momentum of its efforts to jump-start the transformation of its economic structure. While automation often leads to the displacement of semi-skilled workers, it also releases workers from laborious, dirty and dangerous work. Moreover, it encourages upskilling, since workers must have the skills to work in an automated environment.

Statistics from the International Federation of Robotics reveal that China, the top market for industrial robots since 2013, received 45 per cent of all robot shipments in 2019 (compared with 11 per cent in Japan, the next-biggest market), and there are strong signs that this growth will continue. Consumer electronics and car manufacturing have been the two main industries driving the huge demand for industrial robots in China (Tartar 2019), though other industries, such as catering and retail, are embarking on automation too. In addition to importing robots from overseas, China is rapidly developing its own robotics industry (Liu and Sun 2019). However, the speed of development of robotics in China needs to be seen in the global context: despite all the promotion efforts, the country was only just above the world average in terms of rate of automation of manufacturing (Demaitre 2019). The automation of production and, to a lesser extent, service activities has considerable implications for HRM, not least because of the displacement of manual jobs and the emergence of new skill requirements for new jobs – both of these processes need to be taken into account in management strategies (see subsection 5.4.4 below for further discussion of this issue).

5.2.5 Environmental concerns

A major negative consequence of China’s relatively high-speed growth since the early 1980s, spearheaded by the export-oriented manufacturing industry, has been the degradation of the environment and ecosystems (cf. Khan and Chang 2018 for a review). Large-scale water and air pollution and land waste have been plaguing cities and industrial and urbanizing areas for many years now. Since the early 2010s, the Government has made the environment one of its top priorities, as reflected in a series of policy actions. In November 2012, the 18th National Congress of the Communist Party of China laid down a comprehensive implementation plan for the “Five in One” (五位一体) overall strategic plan. “Five in One” refers to economic construction, political construction, cultural construction, social construction and ecological civilization construction, which are to be promoted on all fronts (*Xinhua Daily* 2017). These goals were rolled out across the country through local governments and other state agencies, often involving the introduction of incentive and punitive mechanisms to promote pro-environment business behaviour.

The final year of the 13th Five-Year Plan, 2020, was an important milestone in China’s campaign to improve environmental conditions for its population. Building on the

positive results from the previous year, China reiterated its ambition to fight environmental pollution in 2020, which was the deadline for meeting targets set in a three-year action plan issued by the State Council in 2018. Instead of a “one size fits all” approach, which has sometimes been followed by local government agencies when implementing centrally mandated policies, the Government called for the adoption of more scientific and tailored methods of pollution control. Targets for “good quality air days” were set, and imports of solid waste were to be reduced to zero in 2020. The monitoring and remediation of soil pollution and sewage water were to be strengthened. The Government officially launched the National Green Development Fund in 2020 as part of an endeavour to improve the economic policy framework for environmental protection. It is believed that environmentally conscious economic policies can stimulate efforts by enterprises to improve pollution control (Xinhua 2020).

Addressing environmental problems in an effective manner requires coordinated efforts by all the stakeholders. In a business context, it calls for organizational resources, notably human, financial and social resources. Environmental performance has become one of the key performance indicators for larger companies, especially those listed on the stock market. Export-oriented manufacturing firms are also under the scrutiny of their foreign corporate clients, who expect them to fulfil their corporate social responsibilities. However, according to the local government officials interviewed by the author, businesses are still by and large cost-sensitive and have yet to develop a self-disciplined attitude towards environmental management.

5.3 Key HR challenges and opportunities as perceived by businesses

The previous section outlined briefly the external environment for businesses and HRM at the macro level, together with some of the institutional responses. This section explores major HR challenges and opportunities as perceived by employers, focusing primarily on the private sector, which is more exposed to the external environment and enjoys less institutional/government support than the state-owned enterprises (Huang 2008).

The interviews conducted by the author with several managers and the secondary data (for example, Liu et al. 2018) reveal several major challenges as well as opportunities facing businesses across different sectors.

One is the shortage of talent, both all-round and in specific areas such as environmental performance. All-round talent comprises those individuals who have a thorough understanding of various aspects of business operations, as opposed to those who fall into “silos” of specialization, especially at the managerial level. Owing to the intensive market competition, with increasingly demanding customers, businesses must innovate continuously if they are to stay ahead of the game. Companies expect employees to think about the broad picture before they act, to have a collaborative mindset and to put themselves in their customers’ shoes when designing and making products and providing services. In addition, employees are expected to keep abreast of technological

developments, including in digital competence, and to possess risk and crisis awareness, a positive attitude and professional standards. A common perception among the managers interviewed is that university education in China does not prepare graduates sufficiently for the practical world.

The pressure to improve environmental performance, especially for those working in pollution-intensive businesses, also creates growing demand for new skills in clean technology, clean production, and environmental protection and management. However, these are areas in which employers are encountering skills shortages. “Green HRM” is still a relatively new management concept that the majority of Chinese organizations have yet to embrace. As defined by Jackson and Seo (2010), it refers to a set of HRM practices implemented by organizations to achieve green organizational goals as part of corporate social responsibility initiatives. It is believed that green HRM can bring a range of benefits to the organization and to society as a whole, but it requires a relatively high level of ethics and awareness of environmental protection on the part of the employees. Empirical studies conducted by the author suggest that where employees are given material incentives (such as bonus payments, the improvement of working conditions, or additional canteen subsidies), they are more likely to respond to organizational requests for suggestions on how to address environmental issues. This shows that material rewards play an important role in motivating employees to engage in organizational citizenship behaviour. The study by Tang et al. (2018) on how to measure green HRM identified five dimensions: green recruitment and selection; green training; green performance management; green pay and reward; and green involvement. These elements have not yet been integrated into the HRM policy and practice of many Chinese firms.

A second challenge is the speed at which knowledge and business processes are rendered obsolete as a result of rapid technological and business innovation. For instance, property management in the real estate industry, which was once very labour intensive, has become intensive in technology, knowledge and management, as it now involves providing comprehensive services that cover many aspects of the life and assets of the owner. Ecology, community finance and other functions are now highly sophisticated and customized, the aim being to improve the quality of the surrounding environment and raise the level of satisfaction of property owners. This means that the older generation of property management methods and human resources are no longer adequate. The upskilling of existing staff may not always be a viable option, though, given their prior level of education: security guards, for example, are mainly rural migrant workers and ex-soldiers, while estate gardeners and cleaners are primarily laid-off workers from state-owned enterprises, rural migrant workers, and retirees. The rapid expansion of the middle class in China has led to increased demand for attractive housing and a revolution in property management that has highlighted a skills shortage in this particular sector.

A third challenge has to do with the work attitude, career aspirations and expectations of the well-educated younger generation, which are significantly different from those of

older workers, who are less well educated, but more tolerant of hardship and obedient to hierarchy. The one-child policy implemented from the early 1980s until the mid-2010s gave rise to a generation of “little emperors”, who are perceived as self-confident, self-centred and eager to make rapid progress in lucrative careers without necessarily having the competence and experience to take on the commensurate responsibilities (Connor 2013). They desire flexibility and autonomy in deciding when, how and what they do. They are not shy of making demands and readily abandon their employers (that is, by quitting their jobs), hence the high turnover rate widely observed among businesses across all sectors, including in semi-skilled jobs in hotels and restaurants. Managers reported that they had to please their workers in order to retain them, instead of it being the other way round. In some companies, employee retention is one of the key performance indicators of line managers and is linked to their performance bonuses.

5.3.1 The impact of the COVID-19 crisis on businesses

A rapid nationwide survey of over 130 representative export-oriented enterprises and small businesses covering manufacturing, wholesale and retail, transport, finance and other sectors revealed the extent of the negative impact of the COVID-19 crisis (Yang et al. 2020). Specifically, the survey, sponsored by the Chinese Labour Association and the Xinhua Credit information platform, shows that, in early May 2020, 96 per cent of the companies reported that they had been affected by the crisis in some way or other. Among these, nearly 39 per cent had experienced a reduction in orders, over 21 per cent had suffered from disruptions in the operations of upstream and downstream supply chain companies, over 18 per cent had had orders cancelled by customers, over 6 per cent had been affected by exchange rate fluctuations, and nearly 7 per cent had been hampered by the reduced volume of imports of key components. A mere 4 per cent of the companies in the sample reported that their business had not been affected. In addition, the breakdown of global supply chains caused fluctuations in staffing requirements, leading to recruitment and retention problems, increased wage costs for inactive periods, logistic costs when products could not be sold owing to border closures, and cash flow problems (Yang et al. 2020).

The same survey also reveals that firms responded to the impact of the COVID-19 crisis in different ways, many turning to the domestic market and offering new products for that, and others expanding their supply chain. Large firms such as Foxconn, Beijing Benz and BMW Brilliance led the way in driving the market and business recovery, whereas small and medium-sized enterprises were in a more precarious situation. “Return-to-work” bonuses (equivalent to two to four weeks’ wages) and travel subsidies were provided by many companies to incentivize workers to return to work and sustain the regular operations of global supply chains. Some high-tech companies also took the opportunity to embark on a “smart manufacturing” journey by adopting “internet plus artificial intelligence” strategies (Yang et al. 2020).

5.4 Main characteristics of HRM practices and experiences of successful firms

Several key characteristics are discernible when one looks at the HRM practices of successful Chinese privately owned firms and foreign-funded businesses in China. First, they are eminently practical, flexible and efficiency oriented. Being low-key and pragmatic is the hallmark of several veteran chief executive officers (CEOs) – for example, Ren Zhengfei of Huawei and Dong Mingzhu of Midea (one of the largest and most successful household appliance manufacturers in China). Even the younger generation of entrepreneurs who have a high public profile (such as Jack Ma) adopt a hard-headed approach to business operations. This pragmatism, so typical of the Chinese corporate world since the 1980s, is, however, underpinned by a professional approach to managing the HR function, which is geared to effectiveness and efficiency. HRM policies and practices are constantly reviewed and adapted to suit the needs of the business and employees. Second, fierce competition forces high-performing Chinese firms to innovate and improve their management capabilities continuously, drawing on digital technologies and new management concepts. Third, keeping management simple to maintain efficiency while expanding the business (avoiding bureaucracy) is a key organizational driver. This section examines the aforementioned features, drawing on a range of industries for illustration.

5.4.1 Efficiency as an organizational driver

A quick survey of the websites of leading companies in China indicates that they are becoming increasingly sophisticated in presenting their corporate values, mission statements and responsibilities. However, a more careful analysis of public speeches by their leaders, press releases, media reports and first-hand empirical data (collected by the author under various research projects) shows that efficiency is the key driver of organizational competitiveness and sustainability. It underpins most managerial thinking, decisions and processes, including efforts to flatten the organizational structure, simplify the flow of management and professionalize the HR function. More specifically, the pursuit of efficiency is achieved in the HR function and in HRM practices by, for example, being pragmatic, developing all-round talent, using financial incentives and comprehensive welfare schemes as part of talent management, aligning HR strategy with the organizational culture, and embedding the HR function in business operations.

For example, Liu Qiangdong, the founder and CEO of JD.com (the largest Chinese online retail firm and a Fortune Global 500 company), advanced three keywords as encapsulating the company's new mission in a speech he gave in 2019: “technology”, “efficiency” and “sustainability” (cited in Zhai 2019). Guided by value creation, technology is used in ever-innovative ways to reduce costs, increase efficiency and improve customers' experience of product services. According to Mr Liu, efficiency is paramount because the sole criterion for measuring the success of JD.com's business model is whether the company has improved the efficiency of the industry (and society as a whole) and created

real value. In the past, JD.com was able to increase the efficiency of the retail and logistics industries by reducing the number of movements and intermediate links; it intends to continue on this path by connecting people with enterprises (Zhai 2019). JD.com also has an international outlook in its mission, which includes the concept of sustainability. As explained by Mr Liu, “sustainability” refers to the company’s striving to share business success with its partners; provide a fair development platform for its employees; preserve ecological equilibrium; act in a grateful and responsible manner towards society; strike a balance between people, environment and profits; and contribute to the sustainable development of the world (Zhai 2019). To critics, these may just be platitudes of the kind typical of public relations management. However, such a well-articulated corporate vision is a necessary step towards a human-centred business and HRM model.

5.4.2 Professionalization of the HR function

A common feature of leading Chinese firms is their adoption of a three-pillar HRM model, with implications for the role of the HR function and how it is delivered (Ma, Peng and Xi 2017). Developed and advocated by Dave Ulrich (1998), this model consists of three HR subsystems: HR business partners, an HR centre of excellence and an HR shared services centre; it has been modified by Chinese firms to take into account their organizational characteristics and preferences. The three pillars in China invariably comprise HR outsourcing/shared services, HR business partners supporting business managers, and automation. While there is no HR centre of excellence in the configuration, many project-based teams are set up to tackle specific HR problems or review HR practices with a view to improving the HR function and service delivery. Running the HR department like a business with an emphasis on efficiency, accountability and project-based HR service delivery – the accountability being to business departments (that is, internal customers) – and employing all-round talent as HR professionals are typical features of leading companies such as Alibaba, Tencent and Huawei. In Tencent and Alibaba, for example, senior HR managers and many business partners tend to have a technical/business background rather than an HR one. They are familiar with the business and know what business managers need, and they tackle HR problems innovatively by drawing heavily on technical support and data analytics.

In Alibaba, the HR business partners, also known as “political commissars”, who are based in various areas of the business, follow a bottom-up approach and work with business managers on a range of HR activities based on the local needs. More than a third of Alibaba’s commissars make up the backbone of the business departments (see also Cao and Wang 2014).

Huawei’s own three-pillar model is customer-centric and demand driven, both concepts being part of the company’s core values. As in Alibaba and Tencent, Huawei’s HR business partners – executives who turned into HR professionals – are very close to the day-to-day running of the business, and efficiency in solving problems and addressing business needs are top priorities of their work.

Tencent, where the author and her collaborators conducted fieldwork, follows a “technological approach” in managing its HR function. Exploiting the high-tech nature of the company’s business and IT capabilities, many innovative concepts and schemes have been introduced to retain and motivate employees, most of whom are highly educated individuals from leading universities in China. Tencent has adopted a self-organizing management model and growth-oriented HR strategy to cater to the diverse needs of individual employees. It has moved from a “shared services centre” concept to a “shared delivery centre” one, whereby employees are provided with a wide range of online HR options, such as training and development, to meet their personal-growth-related needs and interests. Tencent has thus turned the transaction-oriented shared services centre into a proactive mechanism that examines employees’ needs in depth and provides them with HR platforms, products and activities through personalized shared delivery. Such a mechanism not only is efficient but also generates added value (see also Ma 2015; Jiang and Gong 2019).

5.4.3 Effective talent management as a key to business success

Fieldwork conducted by the author and secondary data from other sources show that there are two key aspects to talent management in China: material incentives and career path, often provided through a rich programme of HR activities and services (see, for example, the case study of 14 highly successful businesses by Liu et al. 2018).

The literature on organizational behaviour and HRM has long suggested that intrinsic rewards are the most effective mechanism for motivating and retaining employees, whereas extrinsic rewards such as bonuses and subsidies are “hygiene factors”, that is, ones that decrease employees’ dissatisfaction with the work environment (Herzberg 1987). However, research evidence from emerging and developing Asian countries (Cooke, Supangco and Rupidara 2021), along with fieldwork conducted by the author in China specifically, reveals that material incentives remain crucial when it comes to retaining talent. The younger generation of Chinese have been found to be more demanding and eager to succeed, largely as a result of the one-child policy enforced from the early 1980s to the mid-2010s (Connor 2013). In particular, employee share ownership plays a critical incentivizing role with regard to employees’ organizational behaviour and performance in some firms, whereas performance-related bonuses and other material incentives have been heavily used to retain and motivate employees. Huawei is an exceptional example: its founder and CEO, Ren Zhengfei, holds less than 1 per cent of the company’s shares, while its employees hold the majority.

The story of NetEase, based in Guangzhou, where the author has conducted fieldwork, illustrates the important role of material incentives and career path in managing young talent, in addition to a combination of other human-centred and cost-centred HRM practices. Founded in 1997, NetEase is a Chinese IT company that develops and operates online PC and mobile games, advertising services, email services and e-commerce

platforms in China. It is one of the largest internet and video game companies in the world. Like many companies in China, NetEase uses a dual employment system – based on internal employees and agency workers drawn from two or three agency firms (to eliminate the risk of depending on one supplier) – in order to contain costs. When a vacancy arises for internal employment, outstanding agency workers may be offered the job. This employment practice, known as “insourcing” (Purcell and Purcell 1998), only began to be used in 2016, at first for new and inexperienced workers, which meant that agency workers were not as productive as internal employees. However, agency workers are now very experienced and, in many ways, better than internal employees.

As the HR and operational managers at NetEase have no authority to determine the quotas for internal employment, they work hard to bond the two groups of workers through team-building and cultural activities aimed at developing the organizational identity and identification of the agency workers. According to the NetEase managers interviewed by the author, the nature of the business means that the majority of workers are young university graduates in their early to mid twenties. They are highly talented, with creative ideas, but are also rather individualistic in their preferences. HRM programmes are therefore developed to cater to individuals’ strengths and maximize their sense of satisfaction about working with the company, their performance and their retention. There is a sophisticated initial training system to identify high-potential employees and enable them to complete the training quickly so that they can be promoted to higher-value-added positions where they can fulfil their potential. A mentoring system is used to coach new staff. Staff turnover is one of the key performance indicators for team leaders. Emotional control mechanisms are in place to help employees to deal with “difficult” customers: for example, exchanging such customers among colleagues, asking colleagues for help, and afternoon tea parties to overcome stress and share positive energy. Staff members are expected to work in a certain position for two to three years and are then promoted to another role: this is to prevent job fatigue and to allow them to see the career path that is open to them. Moreover, a rich welfare and benefits programme is available, from which employees can choose their preferred schemes. In short, according to the managers interviewed, NetEase tries to please its employees in all sorts of ways, including finding out what their interests are and then appealing to these by organizing, say, parties and games with prizes to be won. However, these seemingly human-centred HRM practices are no more than a means to an end, because NetEase’s philosophy is that only when the staff are happy can they provide customers with a good service.

The employees and agency workers interviewed by the author revealed that the three main reasons that they liked working for NetEase were: (a) the strong culture of caring for employees (for example, a good canteen offering four free meals a day; counselling to identify employees’ personal or work-related issues and relieve their stress and anxiety); (b) benefits/gifts and a team climate (both NetEase and its agency firm partners developed employee benefits schemes and other HR practices, such as team-building); and (c) working time flexibility (employees can choose their working time to some extent,

and women are not required to work night shifts; if a female worker does finish after 10 p.m., then a male colleague or a security guard will accompany her on the journey home, even though the environment is generally quite safe).

Despite the perceived good practices, the most fundamental problem with the HRM system at NetEase is the dual employment system, which creates a situation of equal work for unequal pay and also means that there are no career progression opportunities for the agency workers. The interviewed agency workers thus said that the aspect they most disliked about working for NetEase was that there was no opportunity for them to become internal employees, even in the case of those who were very good and deserved such a transfer. The managers interviewed confirmed that this was indeed the biggest flaw in the company's HRM system. In addition, to monitor labour costs in a highly competitive product and labour market, NetEase conducts market surveys annually, adjusts the salary level accordingly and informs the agency firms how much they should be paying the agency workers. NetEase also takes into consideration the base wage of the agency workers and makes recommendations to the agency firm on the bonuses that they should be given. This hands-on management of agency workers is also found in other economic settings, such as the United Kingdom (Rubery et al. 2004). Because of the wage boom in the IT sector before the COVID-19 crisis, the close monitoring of wage costs in the labour market has not led to a reduction in the salaries of agency workers. Rather, the salary increases at NetEase may be tied closely to the rate of wage increase in the market.

5.4.4 Digitalization of businesses and its implications for HRM

As pointed out earlier in this chapter, digitalization is an integral part of well-performing Chinese firms' business strategy, covering such aspects of their operations as design, production, logistics and distribution outlets, and also the use of path-breaking HR technology, practices and solutions that are tailored to their employees' characteristics. These developments have implications for HRM and employment relations, including, for example, the emergence of gainful employment offering opportunities for human capital development, or the changing nature of work, which is becoming upskilled, less strenuous and more efficient. Of course, a downside of automation is the displacement of semi-skilled workers, which is a potentially major socio-economic problem that needs to be addressed by the Government together with other institutional actors. Having said that, the robotization drive in Chinese manufacturing companies has been partly a response to labour shortages and wage inflation (ILO 2019b).

The scope of digitalization in production and services is expanding rapidly in China, not just in manufacturing but also in service firms that are labour intensive, such as hotels and restaurants. Some high-profile firms have been pioneering humanless hotels (for example, Alibaba) and robotic waitering (such as Haidilao, a famous chain of self-service restaurants). An innovative and more groundbreaking example is the robotic restaurant

of Country Garden (one of the largest real estate companies in China with international operations, established in 1992 and employing around 25,000 employees).

In January 2020, Country Garden launched a robotic restaurant called Foodom in the city of Guangzhou, in Guangdong Province, offering the specialized cuisine of Shunde, a famous smaller city in the same province. Using standardized recipes and consistent products, robotic restaurants can prepare meals faster than traditional restaurants and without having to deal with the constraints caused by changes in chefs and by fluctuations in their moods or performance. Such restaurants are also better able to control hygienic conditions and food safety (especially the risks of contagious diseases passed on by kitchen staff) and offer greater transparency, since every step of the robots' actions can be traced. The recipes at the Foodom restaurant were developed by Shunde chefs and an R&D team through repeated experiments with programming the oil temperature, the order of adding ingredients, saucing techniques and so on until the robots had completely mastered all the details of the cooking process. Good chefs are expensive to hire and difficult to retain. Deploying robots overcomes these problems and offers other advantages as mentioned earlier, although robotic restaurants require significant investment and are unlikely to replace smaller restaurants at the lower end of the value chain.

The development of Country Garden's Foodom robotic restaurant represents a novel business concept in that it involves businesses from one sector venturing into another. In early 2019, Country Garden proposed a new vision for its future as a high-tech comprehensive enterprise with three main business areas – real estate, modern agriculture and robots – that would be developed together in collaboration. In May 2019, Country Garden established the Qianxi Robot Catering Group with a view to building a leading brand of robotic restaurants in China. The Qianxi Group has assembled an R&D and operations team of 750 staff who are engaged in creating product lines of Chinese food for different restaurant types, such as hot pot, fast-food, clay-pot rice and noodle shops. The team has developed more than 70 cooking devices from scratch (Foshan China 2020). Country Garden's Foodom restaurant is currently the most advanced and complete robotic restaurant in the world. Its full set of core technologies were developed internally by the company and they have the potential for continuous and rapid upgrading. Putting the business concept of robotic restaurants into practice implies a radical change in the nature of the workforce, calling for R&D engineers instead of chefs and semi-skilled kitchen staff. Such restaurants also offer customers a novel dining experience.

The transformation of restaurant and catering businesses has been more profound than that of some other traditional sectors in China. Nevertheless, most of the catering industry is still in the traditional development mode. It is labour intensive and beset by problems such as rising labour costs, a high staff turnover rate and poor management. Country Garden's Foodom robotic restaurant opens up a new path to transforming not only the catering industry but also the real estate sector, which is another labour-intensive traditional industry. It is worth noting that the catering and construction sectors are among the lowest-paying sectors in China, as shown in table 5.1. The vision and strategic

business plan of Country Garden are a notable example of how private businesses in the traditional industries are breaking away from their past and embarking on a new future powered by digital technology. Although there are undoubtedly many challenges and problems with Country Garden's management practices, which it is beyond the scope of this chapter to discuss, this kind of digitally enabled business innovation is set to become more frequent in China, accelerated by the roll-out of 5G wireless technology and the effects of the COVID-19 crisis.

Digitalization is also having a major impact on the nature of work and HRM practices in the banking sector. With the rise of mobile banking and the widespread use of the WeChat payment service and various related apps, the need for traditional banking has been substantially reduced (for an analysis, see Shu, Tsang and Zhao 2020). According to a report issued by the National Internet Finance Association of China, Chinese commercial banks are accelerating their digitalization efforts, with three quarters of the banks surveyed already implementing digital transformation plans and over 70 per cent recruiting digitalization talent (cited in Xinhua 2019). The same report also revealed that internet banks and large state-owned banks are more active in applying technological innovations (Xinhua 2019). On-site observation and interviews with various branch managers by the author indicated that high-street banks have replaced more than half of their staffed counters with automated teller machines. If long working hours and high work intensity have been the norm in the labour-intensive traditional banking (finance) sector – in return for high income (see table 5.1) – digital transformation has not only lowered work intensity for bank employees, but also led to a significant reduction of employment, especially among older employees, who are less conversant with digital technologies.

The role of digital technologies in HRM is not confined to the workplace, but may be an integral part of “smart cities”.¹ The Tianjin Economic and Technological Development Area (TEDA), which hosts more than 200 businesses (many of them foreign funded), is a case in point. Data from the firms operating in TEDA can be pooled by the Tianjin municipal authorities as part of the smart city initiative and used to improve various related aspects of the management of these firms, including risk management, occupational safety and health, traffic control during the rush hours by restricting logistic vehicles, and early warning of labour disputes. According to the local authority in charge of TEDA's intelligence system under the smart city plan, and as also mentioned by senior managers and union officials at several foreign-funded companies who were

¹ The smart city initiative in Tianjin involves using cloud computing, big data and artificial intelligence to offer services that were not feasible previously. This “1 + 4” solution, as it is known, has an artificial intelligence platform at its core and was designed by TEDA and implemented with the support of Huawei. It aims to maximize the integration of information about people and things via the “city brain”, called the Intelligent Operations Centre. TEDA seeks to provide enterprises and residents with full-life-cycle, point-to-point smart services through the integration of two dedicated platforms. This integration enables the analysis of (real-time) data and prediction of the needs of each enterprise and makes it possible to communicate with residents and households for the delivery of services targeted to meet their specific needs (Zhang 2019).

interviewed by the author, statistics on work-related injuries are collected and analysed by a specialized institute to identify major causative factors (for example, workers' sex, age and level of education, the month in which the accidents occurred, and the specific workforce cohort). It emerged that June, one of the hottest months in Tianjin (one of the largest autonomous cities in China), was the month with the highest proportion of accidents related to construction jobs because workers became dizzy in the heat and were more likely to fall from heights. Health and safety precautions (notably an 18-item checklist), revised recruitment methods, and safety training were subsequently mandated by the local authorities to prevent such incidents.

According to the local government officials and managers interviewed, the smart city plan has caused the once reactive approach to health and safety management to be abandoned: the response to emergencies is now based on a systems approach to risk prevention and control. The "Smart Tianjin" municipal plan was launched following the explosions that occurred in 2015 at a container storage station at the Port of Tianjin, killing 173 people (including over 100 firefighters) and injuring many more. The Smart Tianjin plan, designed by an institute that is part of Tsinghua University, envisages an intelligence system comprising one central node and several platforms covering numerous areas, including environmental protection, security monitoring and fire protection. This system enables firms in TEDA to manage occupational safety and health issues, for instance, by pooling and triangulating data from sources such as company, hospital, local authority and social security reports on work-related accidents and injuries. The use of different sources is designed to prevent companies from under-reporting. By analysing these big data, the firms can develop targeted strategy and action plans to reduce accidents. Such a top-down governance approach not only enhances transparency, but also provides individual companies with valuable resources that they can use to improve their health and safety standards more effectively. It is part of the further digitalization of HRM.

In developing the Smart Tianjin plan, the "Happy TEDA" concept was adopted for public discourse as a way of communicating an approach to governance that is human oriented – at least in its aspiration. Many workers work and live in TEDA, and the aim of this approach is to make the local community happier by listening to and addressing complaints and improving environmental and safety standards. The ultimate goal is to create an attractive investment environment and increase competitiveness. Since there are many special economic development zones across China, taking various forms, there is potential for similar human-oriented HRM initiatives to be implemented in a methodical and effective manner. Examples like that of TEDA should inspire HRM researchers to look beyond the organizational boundary and consider how key institutional actors can influence HRM policy and practice at the firm level and help to promote human-oriented HRM as part of a broader socio-economic development agenda. In that respect, examining the political and socio-economic foundations at the macro level is arguably more meaningful and revealing than focusing on the micro-level foundations of HRM through

the development and testing of hypotheses, if we wish to advance our understanding of HRM developments in the Chinese context.

5.4.5 The COVID-19 pandemic, new forms of employment and their implications for HRM

The COVID-19 pandemic led, on the one hand, to a massive lay-off of staff in many (small) companies in certain sectors (for example, hotel and catering) owing to the lack of business and, on the other, to a surge in demand for services in other sectors (such as online shopping and courier and takeaway deliveries) that have become heavily understaffed. Some fast-food outlets, such as KFC China, enlisted those of their employees who were willing to work as couriers to deliver meals to hospital staff who were on the front line of efforts to combat COVID-19. Some leading companies, such as JD.com, took the initiative of sourcing employees urgently from businesses that had closed, and quickly trained them to work as couriers, since the fact that most of the population were in self-isolation and doing their shopping online greatly increased demand for courier services. This reduced the pressure on employers in the hotel and catering industry to continue to pay social security contributions for their employees during the temporary closure of their business, while enabling these employees to hold down a temporary job and earn some income during that period. This kind of cross-industry temporary hiring or secondment is a promising new model for labour deployment strategy.

Although part-time work across different employers in different industries is not a new practice, what was new in this case was the role of the employers in organizing such a form of flexible employment collectively. In the future, employers from disparate sectors may well decide to develop their HR strategy and practices more creatively and collaboratively so that they can weather hard times together. This may herald the emergence of a new managerial mindset, imbued with a sense of social responsibility. Crises like the COVID-19 pandemic inevitably prompt businesses to reconsider their HR strategy, in particular to look for ways of increasing flexibility in labour supply, such as sharing staff and facilitating remote working.

Despite the merits of the employee-sharing model and the goodwill it generated during this most recent crisis, several employment relations issues have arisen that require close regulatory attention. For instance, which of the multiple employers will be liable for injury at work and sick leave/pay, especially when an employee is commuting? How can social security contributions from multiple employers be shared? And who should be responsible for misconduct and negligence by an employee if he or she is holding multiple jobs simultaneously? Since employee-sharing is new to most businesses that have adopted the model in China, the relevant HR capabilities have yet to be fully developed, and the same is true of regulations.

5.5 Conclusions

This chapter has outlined some of the developments in business models at the industry and firm level in China with reference to the broad economic context and challenges. It has drawn attention to the indirect role played by the State in training and development and other HR subfunctions through a networked approach powered by artificial intelligence, data analytics and digital technologies. Increasingly, though the process is still at an early stage, certain aspects of HRM are becoming an integral part of municipal governance, as illustrated by the smart city initiative in Tianjin. The latter case study offers a glimpse of the emerging governance ideology and capabilities of Chinese public administration. There can be no doubt that China is accelerating the construction of digital infrastructure such as 5G networks, data centres and the industrial internet (internet of things), and that digital technology is being deployed by businesses in a variety of innovative ways to suit their needs.

At the same time, businesses are beginning to develop a mindset that is sensitive to industrial ecology (for example, with regard to supply chains) and environmental ecology (for example, in the real estate sector), as reflected increasingly in the intelligent deployment of innovative solutions. This creates enormous potential for business innovation involving unprecedented HRM challenges (in terms of human capital needs) and benefits (such as upgrading of skills and job quality). As leading organizations in China continue to draw on big data and advanced data analytics to deliver new consumer concepts, products and services, more profound implications will emerge for the types of skills and competencies that need to be developed.

The COVID-19 crisis has challenged the basic principles of global manufacturing. Many MNEs are considering downsizing and diversifying their supply chains in multiple countries to spread the risks of disruption. The crisis raised some important issues for businesses and employment, and in some ways it has acted as a catalyst for innovation. Employers may decide to accelerate the processes of production automation and digitalization of business operations in order to reduce their dependence on human capital. The gig economy and informal employment are likely to expand as an alternative to unemployment, though human-centred interventions can still be undertaken in this segment of the economy and labour market to maintain a certain level of labour standards. It remains to be seen how effective will be government policy and business strategies for tackling the effects of the COVID-19 crisis as the country progresses through its economic recovery and transition. This transition involves economic restructuring at all levels – for example, the breaking up of global supply chains or the redesigning of jobs as a result of the accelerated adoption of digital technologies – and consequently has major implications for both employment and HRM practices.

This chapter has presented a largely optimistic picture of developments in China, featuring success stories that may seem to be at variance with the more commonly adopted critical views about employment and HRM practices in the country. Its aim was to

demonstrate the progress that can be achieved towards a sustainable economy through business models facilitated by digital technologies and human-centred HRM practices. Pragmatism, flexibility and a bottom-up approach were found to be some common characteristics of well-performing firms. Their human-centred policies and practices include flexible employment, automation accompanied by the creation of better-quality jobs that require a higher level of skills, and aligning HRM practices to meet the needs and aspirations of employees. These are, however, only snapshots of certain aspects of good and new HRM practices in some of the most successful Chinese companies. Even in the case of seemingly good practices, the extent to which they are indeed human centred is debatable. The chapter cannot therefore claim to have provided a comprehensive account of developments in this area in China. Significantly, the empirical examples discussed here point to the essential role of the State (and its agencies at various levels) in influencing, directly and indirectly through policy and resource interventions, the evolution of business models and HRM practices in firms. While the role played by the State in this regard is not unique to China (Martínez Lucio and Stuart 2011), the degree and forms of intervention are quite distinct, as illustrated throughout this chapter (see also Cooke 2011b).

Finally, the success stories notwithstanding, there do exist negative practices and challenges that have not been explored in this chapter. These include the effects of the displacement of semi-skilled workers as a result of robotization; the problem of work intensification (sometimes referred to as the “996 phenomenon”, that is, working from 9 a.m. to 9 p.m. six days a week); and the expansion of gig work via digital platforms, which is leading to a deterioration in labour protection as a result of the abandonment of the traditional employment relationship. In particular, excessive working hours have become the norm in some companies and jobs (for example, R&D, e-commerce and courier delivery), with increasingly negative impacts on both firms and employees (Liu et al. 2019; Peng 2020; Wang et al. 2020). According to a study conducted by Nie and Feng (2020) among young and highly educated professional workers, private companies tend to play a “mind game” to entice them to work overtime voluntarily for the sake of self-realization and self-improvement through hard work. These companies also use material incentives to induce highly educated employees, especially those who are single, to do voluntary overtime work – for instance, through integrated spatial and temporal control of living and work spaces and of work and non-work time by providing facilities such as restaurants, lounges, bathhouses and gyms. As a result, even those enjoying a high level of autonomy at work end up doing excessive overtime on a voluntary basis. Work intensification and overwork are detrimental to employees’ long-term productivity and creativity, sense of value and achievement, job satisfaction and well-being, leading to such negative outcomes as burnout, the quitting of jobs, and suicide attempts. How can HRM be designed to take account of both organizational performance and employee well-being? In this regard, there are many issues worth examining (Zhao, Cooke and Wang 2021). More in-depth research should also be conducted to evaluate how effective the practices of the companies discussed here have been, including the formulation of

criticisms and lessons to be learned, which is beyond the scope of this chapter. More generally, the meaning of “human centred” in the Chinese political and socio-economic context – and indeed in different societal contexts at a particular time – needs to be explored further and in greater depth.

► References

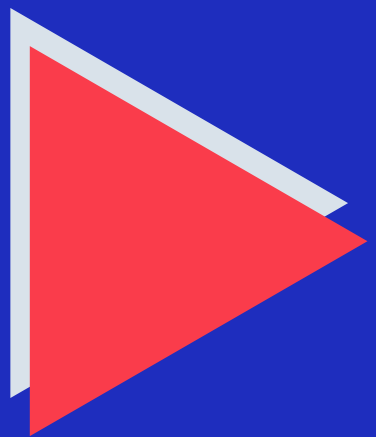
- Cao, Kezhen, and Rui Wang. 2014. "An Interview with Peng Lei: The DNA Code of Alibaba". China Entrepreneur Club, 9 September 2014.
- Chan, Kam Wing. 2015. "Five Decades of the Chinese 'Hukou' System". In *Handbook of Chinese Migration: Identity and Wellbeing*, edited by Robyn R. Iredale and Fei Guo, 23–47. Northampton, MA: Edward Elgar.
- Chang, Kai, and Fang Lee Cooke. 2015. "Legislating the Right to Strike in China: Historical Development and Prospects". *Journal of Industrial Relations* 57 (3): 440–455.
- Chen, Patricia, and Mary Gallagher. 2018. "Mobilization without Movement: How the Chinese State 'Fixed' Labor Insurgency". *Industrial and Labor Relations Review* 71 (5): 1029–1052.
- China, MARA (Ministry of Agriculture and Rural Affairs). 2020. 农业农村部办公厅关于做好2020年高素质农民培育工作的通知 [Notice of the General Office of the Ministry of Agriculture and Rural Affairs on doing a good job of cultivating high-quality farmers in 2020]. 29 May 2020.
- China, State Council. 2017. 国务院关于印发新一代人工智能发展规划的通知, 国发〔2017〕35号 [The State Council on printing and distributing the notice announcing the Next-Generation Artificial Intelligence Development Plan], State Issue No. 35.
- Connor, Steve. 2013. "One-Child Policy: China's Army of Little Emperors". *The Independent*, 10 January 2013.
- Cooke, Fang Lee. 2011a. "The Enactment of Three New Labour Laws in China: Unintended Consequences and the Emergence of 'New' Actors in Employment Relations". In *Regulating for Decent Work: New Directions in Labour Market Regulation*, edited by Sangheon Lee and Deirdre McCann, 180–205. Basingstoke: Palgrave Macmillan and Geneva: ILO.
- . 2011b. "The Role of the State and Emergent Actors in the Development of Human Resource Management in China". *International Journal of Human Resource Management* 22 (18): 3830–3848.
- . 2018. "Concepts, Contexts and Mindsets: Putting Human Resource Management Research in Perspectives". *Human Resource Management Journal* 28(1): 1–13.
- Cooke, Fang Lee, and Ronald Brown. 2015. "The Regulation of Non-standard Forms of Employment in China, Japan and the Republic of Korea", Conditions of Work and Employment Series No. 64. ILO.

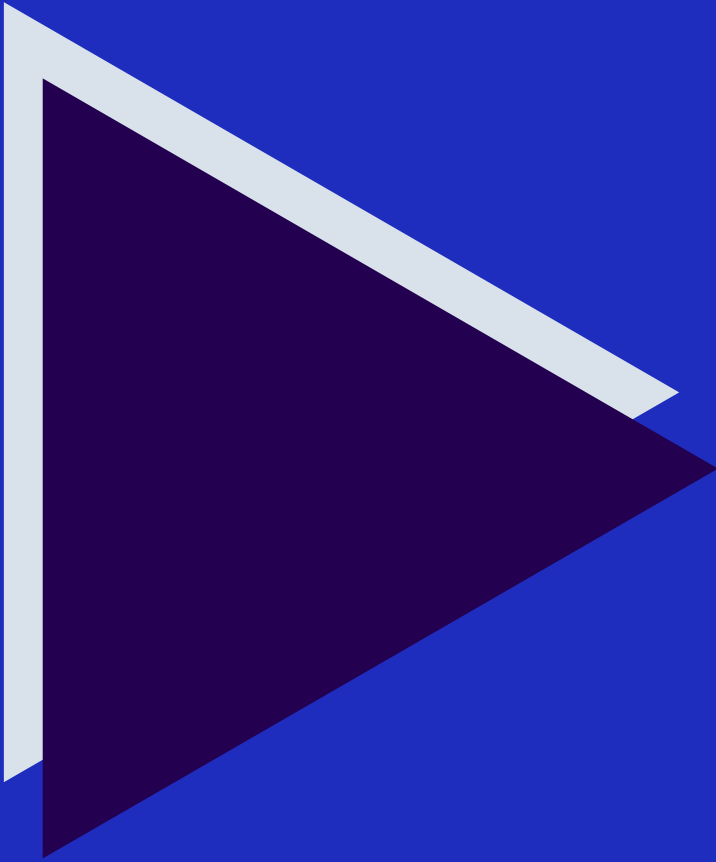
- Cooke, Fang Lee, Vivien T. Supangco, and Neil Rupidara. 2021. "Human Resource Management in Asia". In *The Oxford Handbook of Contextual Approaches to Human Resource Management*, edited by Emma Parry, Michael J. Morley and Chris Brewster, 345–366, Oxford: Oxford University Press.
- Cooke, Fang Lee, Jiuping Xu, and Huimin Bian. 2019. "The Prospect of Decent Work, Decent Industrial Relations and Decent Social Relations in China: Towards a Multi-level and Multi-disciplinary Approach". *International Journal of Human Resource Management* 30 (1): 122–155.
- Cooney, Sean, Sarah Biddulph, and Ying Zhu. 2013. *Law and Fair Work in China*. London: Routledge.
- Demaitre, Eugene. 2019. "China Robotics Outlook: A State of the Industry 2019". *Robot Report*, 19 November 2019.
- Feng, Xiliang, Fang Lee Cooke, and Chenhui Zhao. 2020. "The State as Regulator? The 'DualTrack' System of Employment in the Chinese Public Sector and Barriers to Equal Pay for Equal Work". *Journal of Industrial Relations* 62 (4): 679–702.
- Foshan China. 2020. "Country Garden's First-Ever Robotic Restaurant Opens in Guangzhou Central Business District". 14 January 2020.
- Hassard, John, Jackie Sheehan, Meixiang Zhou, Jane Terpstra-Tong, and Jonathan Morris. 2007. *China's State Enterprise Reform: From Marx to the Market*. London: Routledge.
- He, Zhipeng. 2020. 人权理论的中国化解码 [Decoding human rights theory from the Chinese perspective]. *Frontiers of Law*.
- Hefengbanyue [和风月半]. 2020. 谁来消化这5000万农民工和874万毕业生? [Who will digest these 50 million migrant workers and 8.74 million graduates?]. Wu Xiaobo Channel, 30 May 2020.
- Herzberg, Frederick. 1987. "One More Time: How Do You Motivate Employees?" *Harvard Business Review* 65(5): 109–120.
- Huang, Yasheng. 2008. *Capitalism with Chinese Characteristics: Entrepreneurship and the State*. Cambridge: Cambridge University Press.
- ILO. 2019a. *Work for a Brighter Future: Global Commission on the Future of Work*.
- . 2019b. *Digitalization and Decent Work: Implications for Pacific Island Countries*.
- Jackson, Susan E., and Randell S. Schuler. 1995. "Understanding Human Resource Management in the Context of Organizations and Their Environments". *Annual Review of Psychology* 46: 237–264.
- Jackson, Susan E., and Janghoon Seo. 2010. "The Greening of Strategic HRM Scholarship". *Organization Management Journal* 7 (4): 278–290.

- Jiang, Zhenchuan, and Xun Gong. 2019. "The Research on Human Resource Development of Tencent: The HR Three Pillar Model". *Journal of Human Resource and Sustainability Studies* 7 (3): 462–474.
- Khan, Mehran Idris, and Yen-Chiang Chang. 2018. "Environmental Challenges and Current Practices in China: A Thorough Analysis". *Sustainability* 10 (7).
- Kuruvilla, Sarosh, Ching Kwan Lee, and Mary E. Gallagher, eds. 2011. *From Iron Rice Bowl to Informalization: Markets, Workers, and the State in a Changing China*. Ithaca, NY: Cornell University Press.
- Lee, Chang-Hee, William Brown, and Xiaoyi Wen. 2016. "What Sort of Collective Bargaining Is Emerging in China?" *British Journal of Industrial Relations* 54 (1): 214–236.
- Lei, Xiaotian. 2017. "The Development of Collective Consultation". In *The Emerging Industrial Relations of China*, edited by William Brown and Chang Kai, 141–163. Oxford: Oxford University Press.
- Lin, Zhaohong, Linda Trenberth, and John Kelly. 2010. "The Development and Implications of China's Employee Benefit Systems". *Asia Pacific Journal of Human Resources* 48 (3): 287–301.
- Liu, Bei, Hong Chen, Xingxing Yang, and Congmei Hou. 2019. "Why Work Overtime? A Systematic Review on the Evolutionary Trend and Influencing Factors of Work Hours in China". *Frontiers in Public Health* 7.
- Liu, Shanshi, Qingshan Hui, Jun Liu, Liping Sun, Yongan Liu, Xiangyang Liu, and Hongming Jiang. 2018. 最佳人才管理实践 2017年度最佳人才管理创新获奖案例集锦 [Best Talent Management Practice: 2017 Best Talent Management Innovation Award Collection]. Wuhan: Wuhan University Press.
- Liu, Xinyu, and Wenji Sun. 2019. "China's Robotics Industry Forges Ahead to Brighter Future". Xinhua, 25 August 2019.
- Ma, Haigang. 2015. 移动互联网时代腾讯HR SDC的新生态 [The new ecology of Tencent's Human Resource Shared Delivery Centre in the mobile internet era]. *Human Resources Development of China* 18: 6–11.
- Ma, Haigang, Jianfeng Peng, and Nan Xi. 2017. HR+三支柱: 人力资源管理转型升级与实践创新 [HR three-pillar mode: the HR transformation and best practices in Chinese enterprises]. Beijing: China Renmin University Press.
- Martínez Lucio, Miguel, and Mark Stuart. 2011. "The State, Public Policy and the Renewal of HRM". *International Journal of Human Resource Management* 22 (18): 3661–3671.
- Meng, Xin. 2000. *Labour Market Reform in China*. Cambridge: Cambridge University Press.

- Nakamura, Keita. 2020. "Japan to Help Shift Manufacturing to ASEAN from China after Virus Disrupts Supply Chains". *Japan Times*, 5 May 2020.
- NBSC (National Bureau of Statistics of China). 2019. *China Labour Statistical Yearbook 2019*.
- . 2020. *China Statistical Yearbook 2020*.
- Nie, Wei, and Xiaotian Feng. 2020. 今天,你“996”了吗?——对在职青年超时工作的研究 [Research on overtime work and social psychological consequences of young people working under a “996 regime”: an empirical analysis based on China Labour Force Dynamics Survey data]. *Chinese Youth Studies* 5: 76–84 and 99.
- Peng, Xinyan. 2020. "The 6pm Struggle: The Changing Meaning of Work, a Culture of Overtime Work, and Corporate Governmentality in Urban China". *Asian Anthropology* 19 (1): 39–52.
- Purcell, Kate, and John Purcell. 1998. "In-sourcing, Outsourcing, and the Growth of Contingent Labour as Evidence of Flexible Employment Strategies". *European Journal of Work and Organizational Psychology* 7 (1): 39–59.
- Rubery, Jill, Carilyn Carroll, Fang Lee Cooke, Irena Grugulis, and Jill Earnshaw. 2004. "Human Resource Management and the Permeable Organization: The Case of the Multi-client Call Centre". *Journal of Management Studies* 41 (7): 1199–1222.
- Shu, Ziyun, Shuk-Yu Tsang, and Taoxuan Zhao. 2020. "Digital Transformation of Traditional Chinese Banks". *Open Journal of Business and Management* 8 (1): 68–77.
- Statista. 2019. "Number of Migrant Workers in China from 2008 to 2018 (in Millions)". <https://www.statista.com/statistics/234578/share-of-migrant-workers-in-china-by-age/>.
- Su, Zhong-Xing, and Patrick M. Wright. 2012. "The Effective Human Resource Management System in Transitional China: A Hybrid of Commitment and Control Practices". *International Journal of Human Resource Management* 23 (10): 2065–2086.
- Tang, Guiyao, Yang Chen, Yuan Jiang, Pascal Paillé, and Jin Jia. 2018. "Green Human Resource Management Practices: Scale Development and Validity". *Asia Pacific Journal of Human Resources* 56 (1): 31–55.
- Tartar, Andre. 2019. "China Sets the Pace in Race to Build the Factory of the Future". Bloomberg, 12 June 2019.
- THINKTANK [新智囊]. 2020. 在“最难造”的消费电子、芯片、汽车三大领域,中国制造的国际竞争力如何? [What is the international competitiveness of “Made in China” in the three most difficult areas: consumer electronics, chips and automobiles?].
- Ulrich, Dave. 1998. "A New Mandate for Human Resources". *Harvard Business Review*, January–February 1998: 124–134.

- UNCTAD (United Nations Conference on Trade and Development). 2019. *World Investment Report 2019: Special Economic Zones*.
- Wang, Fenglong, and Yungang Liu. 2018. "Interpreting Chinese 'Hukou' System from a Foucauldian Perspective". *Urban Policy and Research* 36 (2): 153–167.
- Wang, Zhen, Lu Xing, Lynda Jiwen Song, and Sherry E. Moss. 2020. "Serving the Customer, Serving the Family, and Serving the Employee: Toward a Comprehensive Understanding of the Effects of Service-Oriented High-Performance Work Systems". *International Journal of Human Resource Management*.
- Witt, Michael A., and Gordon Redding. 2014. "China: Authoritarian Capitalism". In *The Oxford Handbook of Asian Business Systems*, edited by Michael A. Witt and Gordon Redding, 11–32. Oxford: Oxford University Press.
- World Bank. 2020. *Global Investment Competitiveness Report 2019/2020: Rebuilding Investor Confidence in Times of Uncertainty*.
- Xinhua. 2019. "Chinese Commercial Banks Accelerate Digital Transformation: Report". 19 October 2019.
- . 2020. "China Focus: China to Strengthen Fight against Environmental Pollution in 2020". 14 January 2020.
- Xinhua Daily*. 2017. 全面落实“五位一体”总体战略部署 [Fully implementing the “Five in One” overall strategic plan]. 6 November 2017.
- Yang, Hongxing, and Dingxin Zhao. 2015. "Performance Legitimacy, State Autonomy and China's Economic Miracle". *Journal of Contemporary China* 24 (91): 64–82.
- Yang, Zhiming, Fujun Li, Hong Tan, and Xinmin Zhang. 2020. 全球疫情蔓延对外向型企业冲击的快速调查报告 [A rapid investigation report on the impact of the spread of the global epidemic on external-oriented enterprises]. Institute of Labor Relations, Jilin University, 27 May 2020.
- Zhai, Jiru. 2019. 京东老员工日刘强东发内部信：京东将完成使命升级进入全新阶段 [Liu Qiangdong sent an internal letter on JD.com's Old Employees' Day: JD will complete its mission upgrading and enter a new stage]. DoNews, 20 May 2020.
- Zhang, Guosheng. 2019. "Tianjin Smart City Creates Economic Prosperity and Better Lives". *Forbes*, 26 February 2019.
- Zhao, Chenhui, Fang Lee Cooke, and Zhen Wang. 2021. "Human Resource Management in China: What Are the Key Issues Confronting Organizations and How Can Research Help?" *Asia Pacific Journal of Human Resources* 59 (3): 357–373.





Chapter 6

Human resources management in South Africa: Context, issues and trends

Geoffrey Wood (Western University, Canada)

Christine Bischoff (University of the Witwatersrand, Johannesburg)

► Abstract

In post-apartheid South Africa, the formal employment base has contracted, and as a result the space within which HRM can be practised has decreased. Global pressures and local responses are behind the fragmentation of HR practices, leading to the coexistence of firms following labour-repressive approaches with those that strive to be human centred. Effective HRM in a limited number of sectors, most notably the motor industry and in high-value-added pockets of activity in the clothing and textiles industry, has enabled the development of highly cooperative production paradigms based on teamwork and joint problem-solving. In contrast, the wine industry is still associated with poor labour practices but, again, there are exceptions. Meanwhile, even though labour standards in the mining industry have improved, there remain significant issues. In general, the South African regulatory system works for the larger companies and the unions representing their workers, but does not take due account of what is going on in smaller firms and in the informal sector. The recent COVID-19 pandemic has revealed that national governments have a much wider range of policy instruments at their disposal than was often previously assumed to be the case. In particular, the introduction of a basic income grant, as proposed in the context of the post-pandemic recovery, would help to subsidize marginal employers, creating opportunities for more stable employment and the development of more inclusive HR policies.

6.1 Introduction: The South African context

Some 30 years after South Africa's negotiated transition to democracy, apartheid continues to cast a long shadow over the country. Its high unemployment figures and the historically unequal distribution of wealth have led to one of the world's highest levels of income inequality, together with many other social problems, such as violence against women and girls, and the high incidence of drug and alcohol abuse and crime, all of which affect the most impoverished communities in the country. Improving the quality of education remains a crucial commitment of the Government, yet little progress has been made. On the plus side, the end of apartheid heralded not only the abandonment of legally entrenched racial discrimination, but also the opening up of the economy. All these factors affect the practice of HRM. For HRM to take place, there have to be people in regular jobs who need to be managed.

In the post-apartheid era, the Government has not succeeded in developing or sustaining most labour-intensive sectors. Industrial policies informed by the dominant supply-side approaches of the early 1990s have helped a few skill- and capital-intensive companies that have acquiesced to and assimilated new labour regulations to improve their technologies, stay competitive and enhance labour productivity, which has enabled them to steadily increase wages. This has come at the price of greater automation and the shedding of lower-skilled jobs. In an economic crisis one would expect informal employment to absorb many of those who have become unemployed in the formal economy, but the former is already quite crowded in South Africa.

This chapter begins with a brief overview of industrial policy, demographic and labour force characteristics, industrialization, innovation, technology, skills, globalization and climate change in South Africa. Emerging human-centred HRM practices in selected industries are outlined next, and the challenges faced by South African companies in moving towards a human-centred HRM approach are identified.

6.2 Industrial policy

Apartheid was characterized by an active industrial policy geared to import substitution, which led to the creation and sustenance of employment-intensive industries, where blacks were largely confined to poorly paid unskilled roles. Post-apartheid industrial policy encompassed trade liberalization and efforts to promote manufacturing competitiveness, the aim being to provide good jobs and opportunities for the socio-economic betterment of workers. One consequence was sharp decreases in import tariffs, but institutions were also set up to help finance the upgrading of capital equipment infrastructure, technology transfer, human capital development and private R&D (Walwyn and Naidoo 2020). The results of the new policies have been mixed, and the performance of the various subsectors of the economy somewhat inconsistent. The worst-performing sector has been textiles, clothing, leather and footwear, where output decreased by 40 per cent between 1994 and 2001. The best-performing subsector has been motor

vehicles, parts and accessories, which grew by 150 per cent over the same period. Indeed, automobile manufacturers have gained from the phased changes in tariffs and greatly benefited from tailored manufacturing incentives. Specifically, the Department of Trade, Industry and Competition has supported the automotive industry through rebates on duties and taxes amounting to approximately 5 billion South African rand per year (Walwyn and Naidoo 2020). South Africa has moved steadily in the direction of capital-intensive production, which has driven unemployment up and exacerbated existing inequalities, making labour-intensive growth less likely. Small companies, dominant in labour-intensive sectors such as services and retail, struggle with remuneration costs, which make up the bulk of their fixed costs. In practice, this has led to larger employers transitioning to a leaner workforce and high-value-added HRM. Meanwhile, smaller employers have retained the paternalism of the past. Since they receive limited support from the State, they have few incentives to upgrade their HRM practices.

6.3 Demography

In 2020, there were 59.6 million people living in South Africa, and over half of them, around 30.5 million, were female. The black African population (48.2 million) comprises about 81 per cent of the total population. Its numbers are buoyed by continued mass immigration from tropical Africa. The white population is estimated at 4.7 million, the “coloured” population (the preferred term used by those of mixed racial origin to describe themselves) at 5.2 million, and the Indian/Asian population at 1.5 million (Stats SA 2020). The white population has shrunk in terms of its share of the total population, and to some extent also in absolute numbers, because of emigration. The latter reflects a reduction of job opportunities caused by pro-black affirmative action, the decline of formal sector employment and, in some instances, an unwillingness to be reconciled to black rule. About 15.5 million people live in Gauteng Province, the most populous of the country’s nine provinces despite being the smallest, while the Northern Cape Province is the least populous, with 1.3 million people. Approximately 28 per cent of South Africans are below the age of 15 years, much of the youth population living in the provinces of KwaZulu-Natal (21.8 per cent) and Gauteng (21.4 per cent). About 9 per cent of the population, or 5.4 million people, are aged 60 years or older and almost a quarter of these (24 per cent) live in Gauteng (Stats SA 2020). Official estimates project that during the period 2016–21, Gauteng and Western Cape will experience the greatest inflow of migrants (Stats SA 2020). These two provinces have the most robust formal sector economies. The highest levels of underemployment are concentrated among women and young people, who make up the bulk of those in low-paid and informal jobs. A very large proportion of the population rely on the informal sector for subsistence. The fact that many South Africans lack the means to consume is in turn likely to have contributed to the limited long-term growth prospects of the South African economy (Stats SA 2020). In practical terms, this means that few South African employees work under what could be considered modern HRM: most fall under what one might describe as “authoritarian paternalism”, or simply seek

a living independently as providers of casual labour or through sometimes episodic informal sector activity.

The estimated HIV prevalence among the South African population is around 13 per cent, which translates into about 7.8 million people who are living with HIV. Almost a fifth (18 per cent) of the adult population are HIV positive (Stats SA 2020). The mass roll-out of antiretrovirals in South Africa has greatly improved life expectancy, although early research suggests that HIV-positive status makes it more challenging to treat a patient suffering from COVID-19 (Blanco et al. 2020). While larger employers often provide support for HIV-positive employees, those working for small businesses and in the informal sector are often left to cope as best as they can, or, worse, they may face arbitrary dismissal on account of their status.

6.4 Labour force characteristics

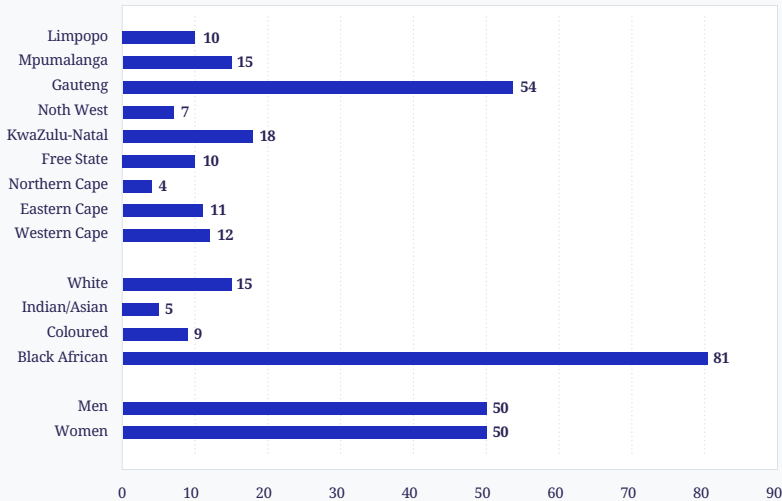
Almost 40 million people in South Africa are of working age, but only 23.5 million are part of the formal labour force (Stats SA 2020). Most of the new jobs are created in the financial services sector, closely followed by manufacturing and then by construction. Artisan entrepreneurship has significant potential but there are currently very few people who are certified in the skilled manual trades, such as electricians, plumbers and millwrights, because of shortcomings in the national training system.

As can be seen from figure 6.1 below, the bulk (54 per cent) of the working-age population is to be found in Gauteng. Among the various population groups, black Africans account for by far the greatest share (81 per cent), and there is an almost equal split between men and women. However, Indian/Asians and coloured people both make up a smaller share of the working-age population than whites.

Figure 6.2 below shows labour force characteristics disaggregated by population group. Significantly, unemployment in the white and Indian/Asian populations is proportionately quite low, despite the effects of affirmative action in the case of the former. This figure masks the resurgence of significant levels of white poverty – a consequence of the fact that, under apartheid, whites with a limited education could count on protected employment in the state sector. Nonetheless, the overwhelming majority of South Africa's poor are black Africans, and these also make up most of the unemployed.

The numbers of those who find themselves in long-term unemployment continue to increase. The longer that people are out of work, the higher the risk to their future employability, since their skills deteriorate when not actively used. Statistics South Africa reported that, by March 2020, unemployment had increased to more than 30 per cent following the start of the COVID-19 pandemic – that is, 10.8 million people were then unemployed in South Africa. Excluded from this high figure are the 3 million South Africans who had stopped searching for employment (generally referred to as “discouraged jobseekers”). If they are factored in, the unemployment rate in March 2020 stood at just

► **Figure 6.1. Population of working age (15–64 years) in South Africa by province, population group and sex, first quarter of 2020 (percentage)**



► Note: The working-age population in the first quarter of 2020 was estimated at 38,874,000.

► Source: Stats SA (2020).

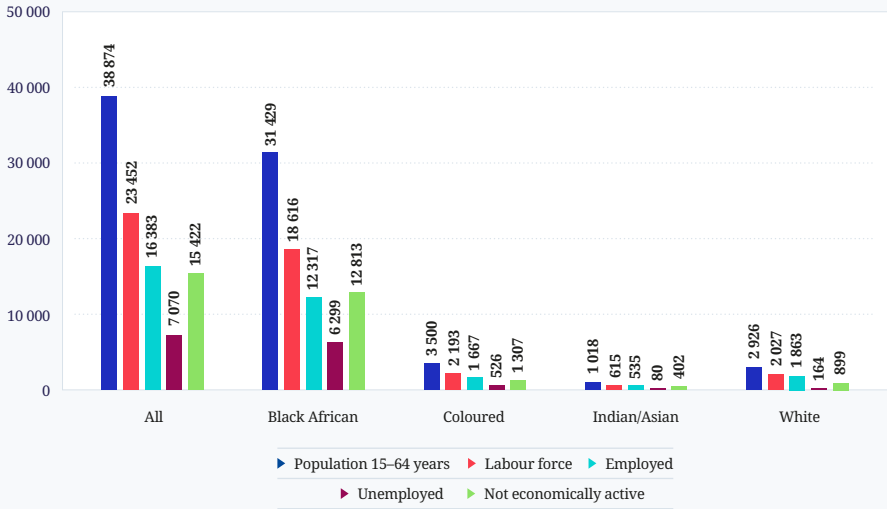
under 40 per cent. It can be assumed that there are unfortunately very few job opportunities to accommodate the vast cohort of new labour market entrants (Stats SA 2020).

There are significant racial and gender factors in unemployment. Indeed, 34 per cent of black Africans are unemployed, and among black African women 30 per cent are unemployed.

Age is an important factor as well. Young people constitute just over two thirds of the unemployed, many of them never having held a formal job (Stats SA 2020) or completed their secondary education. For young jobseekers with lower levels of education, securing a job is an uphill struggle.

South African organizations take a highly instrumental approach to talent management – that is, the latter is viewed in terms of the expected contribution by employees to the organization’s goals. Managers on the whole do not have a long-term focus on talent development and pay very little attention to talent pipelines. Scant progress has been made in creating tailored programmes to manage female talent in particular; most of the emphasis has been on redressing racial inequality. If talent management programmes

► **Figure 6.2. Characteristics of the South African labour force by population group, first quarter of 2020 (thousands)**



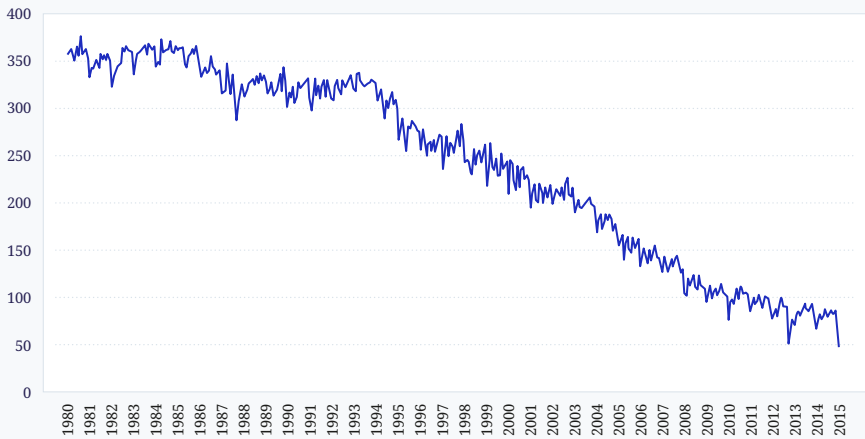
► Source: Stats SA (2020).

are put in place, they are soon abandoned once gender parity is reached. Consequently, there is a high turnover of female employees, as organizations compete for skills instead of developing them internally, resulting in persistent inequalities (Ronnie and Glaister 2020). In the larger manufacturing firms, black staff are promoted from within to redress racial inequalities and, in some instances, union representatives are selected for such promotion in order to win their favour. However, in general the main focus of talent management has been narrow, rather than broad-based and geared to the external labour market.

6.5 Industrialization, innovation and technology

From the early twentieth century until the 1970s, South Africa was the largest gold producer in the world; this “easy money” helped to fund apartheid social engineering. Industrial diversification was actively promoted, but the resultant industries were often inefficient and relied on the closed nature of the South African economy and on state largesse. In the 1970s, gold production began to decline – a process that intensified from the 1980s onwards (see figure 6.3 below). It is no coincidence that the decline of gold revenues was linked to economic disruption and intensifying waves of black resistance

► Figure 6.3. South African gold production, 1980–2015 (tonnes)



► Source: Stats SA (2020).

to apartheid. Unlike many petrostates, South Africa did succeed in creating a significant industrial sector, but by the late 1980s this had succumbed to a deep malaise, reflecting structural economic challenges.

The regeneration of manufacturing through the new industrial policy of post-apartheid South Africa has been much anticipated but remains elusive. Additionally, a major obstacle continues to be the lack of an adequately skilled workforce, as outlined in the preceding subsection, that is able to take advantage of the potential new job opportunities. South Africa had an official innovation policy from 2008 to 2018, known as the “Ten Year Innovation Plan” (Department of Science and Technology 2008 cited in Walwyn and Naidoo 2020). Several reviews of the country’s innovation strategies have been conducted, including one by the OECD in 2007, which found that skills shortages were a major constraint on innovation. That review also recommended a knowledge-intensive approach to tackle poverty and unemployment (OECD 2007 cited in Walwyn and Naidoo 2020). Clearly, a coherent innovation policy is necessary as part of broader efforts to diversify the economy and foster the development of higher-value-adding sectors.

Private firms are currently the main drivers of innovation-linked economic development. They display an impressive rate of originality and innovation, but it is difficult to quantify the levels of technological innovation and the extent to which these have been shaped by policy decisions. The above-mentioned OECD survey cited by Walwyn and Naidoo

(2020) pointed out that South Africa's declared commitment to economic diversification, innovation systems and knowledge-led growth had not fully translated into tangible outcomes. Innovation-led growth in South Africa, predominantly in manufacturing, has consistently underperformed in comparison with similar countries.

It is the expansion of the green economy, specifically of manufacturing based on green technologies (which requires substantial levels of innovation and financial backing), that may help to close South Africa's performance gap (Wellmann and Pineo 2019). Cooperative government programmes for green technology manufacturing have been set up, such as the Atlantis Special Economic Zone. Job opportunities in the green economy have thus been created in Atlantis, a Cape Town suburb whose community has battled with many social ills caused mainly by poverty and unemployment. Under the programme, priority is given to fostering among young people the necessary skills for innovation. The preliminary results of this programme indicate that the development of specific skills for the green economy and innovation is key to generating sustainable employment while helping South Africa to mitigate and adjust to climate change. However, the country's green economy will need greater commitment and encouragement at various levels, not least from policymakers, if it is to succeed (Wellmann and Pineo 2019). In practice, traditional hydrocarbon industries continue to carry great influence with the Government. Although these have historically been important providers of jobs, it should be noted that coal mining has become much less labour intensive in recent years following the advent of automated open-pit mining technologies. If the Government's support for green industries has been uneven and episodic, the hydrocarbon industries are increasingly failing to live up to their promise of providing good jobs, a notable exception being the synthetic fuel and petrochemicals conglomerate Sasol. Again, these tendencies militate against increasing the pool of decent jobs and, hence, the scope for HRM practice in South Africa.

6.6 Technology and skills

In post-apartheid South Africa, the localization of production of certain components as part of global production networks has increased. Technological change and the attendant processes of work reorganization and restructuring have had positive effects. Indeed, the automation of production, which is actively pursued by original equipment manufacturers in the automotive sector for example, has led to technological disruption but the impact on employment has been beneficial. When a new technology is adopted, worker redundancies are not necessarily always the outcome. It depends on how the technology is implemented and, importantly, on whether existing staff are retrained. The adoption of new technologies has led to employment creation for high-skilled workers in other sectors too (Mashilo 2020), with job losses concentrated among lower-skilled and less-educated workers. When promoting specialization and enabling firms to engage higher-skilled workers, or workers with niche skills, so that the firms can meet the demands of technological change, an important issue that policymakers need to address

is affordability: many firms struggle to secure the services of such workers, as they are expensive. Innovative firms that have shifted their production into high-tech areas, which call for more specialized and high-skilled workers, have tended to make use of contractors. It is unclear, however, whether subcontracting is helpful to upgrading the skills of permanent staff at firms and whether retaining the services of these high-skilled contractors is possible, given the high costs of their employment (Francis, Roberts and Valodia 2019). The availability of sophisticated technological skills is becoming increasingly important for many organizations.

There is high demand for such skills in the banking and fintech industries in particular. The CEO of Capitec (a South African retail bank), Gerrie Fourie, said in September 2019 that if he were offered 100 skilled data engineers, machine learning experts and IT professionals, he would recruit them on the spot, as the bank was struggling to find skilled employees (BusinessTech 2019). The increase in demand for technological skills is to a great extent shaped by traditionally non-tech companies, which need such skills if they are to remain relevant and innovate. Developers and other technical employees are among the highest-earning professions in South Africa, even though holding a degree is not a prerequisite for being hired in such roles (van der Heijden 2020).

All the same, technical and vocational education and training programmes have to be re-structured so that industrial and occupational needs can be realistically met. Historically, black Africans were denied access to many technical occupations, leading to deficits in training infrastructure. The gradual lifting of race-based job reservation opened up new opportunities, with a significant number of technical training institutions seeking to acquire university status, even though the mismatch between training supply and demand persists.

In this regard, the Government has admitted that it has to do more to bolster the relationship between employers and the country's technical and vocational education and training colleges (South Africa, Department of Labour 2018). This challenge is compounded by the immense inequality in the education system, and, as a result, skills shortages prevail (Seepe 2017). High unemployment reflects not only the inability of many industrial sectors to cope with global competition and the fact that several major South African firms have shifted their focus abroad (for example, the global mining company Anglo American), but also persistent gaps in education and skills. These gaps stem at least partly from a failure to redress chronic inequalities in the education system, most black Africans receiving a measurably inferior education and many leaving school functionally illiterate (van Staden and van der Merwe 2017).

The problems with post-school training likewise point to structural failings in the school system – failings that may be ascribed to funding constraints but also to the perpetuation of racial inequality as wealthy white parents pay top-up fees to ensure high-quality education for their children at schools located in predominantly white areas. Moreover, successive governments have been unwilling to risk a major political fight with educa-

tion trade unions that mainly represent public sector teachers, who stand to lose their livelihoods in the event of a comprehensive overhaul of the school system.

6.7 Globalization

There are many definitions of “globalization”, but the term is widely considered to encompass the opening up of markets, increased mobility of capital, the homogenization of consumer taste and the adoption of neo-liberal policy prescriptions (cf. Hurrell and Woods 1995). Under apartheid, the South African economy was relatively closed, a result of both aggressive import substitution policies and trade sanctions imposed by other countries. The opening up of South Africa to world trade in the 1990s has led to an upsurge of both imports and exports, benefiting some sectors (such as the automotive industry) and posing serious challenges for others (such as textiles). Consumers have a much wider choice, and local producers now pay significantly greater attention to quality and consumer tastes. The country has struggled to attract foreign direct investment, while many established South African firms have chosen to diversify risk by concentrating their investments abroad. Although the Government’s fiscal prudence has won international acclaim, it failed to preclude the downgrading of the country’s sovereign credit rating to “junk” status shortly after the onset of the COVID-19 pandemic. Privatization has been uneven and has led to very mixed results. Among the losers of privatization are managers and workers in negatively affected sectors. While workers in manufacturing export industries are generally well paid, their counterparts in agricultural export industries are not. Moreover, forcing state-owned enterprises (parastatals) to adopt business principles may have shaken up sclerotic and racist organizational cultures, but it has also led both to job losses and to new opportunities for corruption, as managers of business units have been able to exploit their position to allocate contracts to cronies (Bowman 2020). Such managers have sometimes succeeded in setting up personal fiefdoms, where they expect absolute loyalty and support from their employees. In many cases, both workers and consumers have lost out as a result. Again, this has contributed to marked disparities between sectors and to large areas of the economy in which HRM practices are poor or wholly lacking.

6.8 Climate change

The effects of global changes in climate have intensified in South Africa in recent years, leading to weather extremes, droughts and serious water shortages. The need for protection of the environment by the Government, industry and citizens is acknowledged in the South African Constitution and in various sectoral policies and national legislation.

South Africa was the world’s 12th highest emitter of carbon emissions in 2015. Its per capita usage of fossil fuel energy and energy intensity (energy consumption per unit of GDP) exceed those of the other BRICS countries. South Africa’s economy is carbon intensive and approximately 85 per cent of electricity is produced from coal. The country

releases 511 million tonnes of carbon dioxide equivalent annually, nearly half of that amount emanating from Eskom, which is South Africa's national electricity-producing parastatal (Urban Earth 2012 cited in Satgar 2015). Eskom remains heavily committed to coalfired power stations. The poor management practices and high levels of corruption within this parastatal mean that it is not well placed to embark on a green transition (Satgar 2015). The bulk of direct carbon emissions in South Africa can be attributed to the minerals, energy, industry and transport industries. While the other BRICS countries decreased their emission intensity by an average of 24 per cent in the 2000s, South Africa managed only a 9 per cent reduction. In 2009, South Africa pledged to drastically decrease its emissions by 42 per cent by 2025. To accomplish these targets, the appropriate technology is required, together with financial and capacity-building support from developed countries – not to mention political will. Over the past decade, both government agencies and private industries have therefore been striving to achieve “greening” within and outside their organization (Mtembu 2018). The Government's central focus is on the development of previously disadvantaged communities, which are more vulnerable to climate change events such as wildfires and droughts. There is, however, a noticeable lack of capacity within the Government to tackle climate change through relevant policies. This is due to inadequate human and financial resources, compounded by deficiencies in expertise and skills. Core agencies are usually understaffed at the municipal and provincial levels, and the skills required to design and implement sectoral and multisectoral decarbonization and climate resilience policies are short in supply. A climate finance strategy allocating resources to promote climate change work and attract international funding and investment has yet to be drawn up. There is also a lack of capacity among the government departments, devolved administrations and private actors to develop financeable project proposals (Averchenkova, Gannon and Curran 2019).

Many South African companies' sustainable development strategies single out employee development as one of their core pillars and actively seek to improve the sustainability of their operations so that their corporate reputation is protected (Averchenkova, Gannon and Curran 2019). These companies have to take into account the environmental and social impacts of their operations and address how they will reduce any negative effects in line with international standards of reporting on sustainable development, such as the guidelines issued by the Global Reporting Initiative. In 2004, the Johannesburg Stock Exchange launched the Socially Responsible Investment Index, the first such sustainability index to be established in an emerging market. The main motivation behind it was to ensure that companies demonstrated socially responsible behaviour and pursued environmental, economic and social sustainability. South African companies wishing to expand into the rest of Africa had to be placed on the index (which was maintained until 2015), and, to that end, they needed to complete a questionnaire and fulfil several criteria (Groenewald and Powell 2016). Nevertheless, many HR practitioners in South Africa are of the view that greening activities are not top-of-the-list priorities. Not surprisingly, in many corporations, green HR policies are few and far between, there is a lack of capacity

among HR practitioners, and the HR unit plays a minor role in greening initiatives within the organization, if there are any at all (Mtembu 2018).

6.9 The labour relations context

The late apartheid era was marked by the deracialization of the statutory, sector-focused collective bargaining system, which went as far as the legal recognition of non-racial trade unions. Following apartheid's demise, this process was taken further by legislative reforms in labour relations that sought to introduce elements of the European tripartite bargaining model: high-level bargaining between the social partners and the Government to agree on broad policy issues, backed up by sectoral-level bargaining, and co-determination structures at the workplace. The intention was to reduce the great social divides besetting South Africa, provide an opportunity for fair and more inclusive growth and facilitate the revival of the manufacturing sector, which despite being unproductive had been substantially shielded during apartheid and was, therefore, unprepared to compete in a globalized world (Wood, Dibben and Klerck 2013). The importance of industry-level centralized bargaining was endorsed by the social partners; and plant-level structures of the works council type, known as "workplace forums", were provided for in key pieces of labour legislation (Wood and Mahabir 2001). These legislative reforms enabled some positive adjustments in workplace configuration, stimulated productivity and helped to underpin South Africa's non-violent transition (Wood, Dibben and Klerck 2013). The reforms were supported by the adoption of specific policies such as teamworking and, more generally, by the introduction of more sophisticated HR policies and practices that went beyond mere personnel administration and a reliance on the authorities to enforce labour quiescence.

The introduction of tripartism has been challenging in some respects, as there was not much motivation to compromise on the part of employers and their key partners (Wood, Dibben and Klerck 2013). Workplace forums did not take off in most cases and those that were established made an insignificant impact beyond a few key sectors, as they were designed to be voluntary and could only be applied to a certain set of employers (Wood and Mahabir 2001). The bargaining councils are generally respected by large employers and unions, serving as a platform where the parties can engage and conclude agreements with one another.

Despite the persistent inequalities in the education system, larger employers in the manufacturing sector have succeeded in formally and informally developing skills among workers and securing high levels of occupational and job commitment (Seepe 2017). From the late 1990s to the early 2000s, many workers proved willing to accept wage stagnation in return for job security. Yet, employers' promises to protect jobs often turned out to be hollow, leading to periodic upsurges in strikes. While the South African labour relations system has worked quite well for some larger employers and for their employees who have kept the jobs, it has generally been seen as unresponsive to small business;

it has not met the needs of workers in precarious jobs or occupations, nor has it helped those who work in the informal sector. Even though small employers are covered by the regulations, they were not involved in their development and are not as committed to the system (Chiumbu 2016). Many small business employers have sought to resolve labour issues by keeping workforces as small as possible in order to avoid attracting the attention of unions and having to implement sector-specific bargaining council arrangements. Such employers quite often seek to compensate for the low wages and insecurity associated with the jobs they offer – and, indeed, for a lack of HRM systems – by providing informal cash loans and special leave in cases of hardship.

The Employment Equity Act of 1998 safeguards workers and jobseekers from unfair discrimination and offers a framework for applying affirmative action. Historically disadvantaged population groups, namely blacks, women and people with disabilities, are covered. The Broad-Based Black Economic Empowerment Act of 2003 and its 2013 amendments require firms to monitor not only their own progress on affirmative action (and black ownership), but also that of their suppliers. Strong compliance with the provisions of the Act, as evaluated using a special scorecard, is essential for companies to be considered for government contracts.

In practice, the effects of these legislative initiatives have been mixed. The main beneficiaries have arguably been the black middle classes, with rank-and-file workers left behind. This reflects both deficiencies in the education system and a focus on ownership and management, rather than on broad-based HRM policies and practices. Despite their ambitious scope, the reforms have not really improved conditions for South Africa's ethnic minorities – coloured people and Indian/Asians, who also faced discrimination under apartheid. In HR terms, they have nevertheless led to a strong focus on monitoring workforce diversity and on carefully managing recruitment.

The recent COVID-19 pandemic has highlighted the degree to which many jobs are socially constructed; in other words, if some seemingly important jobs were not done, the effects on the wider economy and society were slighter than was commonly assumed, and other, often poorly paid and derided jobs proved indispensable. Again, it became clear that there are many more policy choices than one might at first imagine; the scope for positive state intervention proved much wider than conventional wisdom previously held to be the case. It has also been revealed that emerging markets do not have much scope for experimental interventions by the international financial institutions and other global players, such as ratings agencies, that developed economies are able to benefit from. The process of supplementing the existing social security framework in South Africa will need to be gradual and concentrate on a limited number of key areas, possibly involving the introduction of basic income grants, which until recently have been a highly controversial subject in South African policy debate. On 14 July 2020, the Minister of Social Development, Lindiwe Zulu, pledged that a basic income grant would be made available to those aged between 18 and 59 years (though this had not yet materialized at the time of writing). This would have knock-on effects in areas of the economy with very low wages.

6.9.1 Trade unions

The South African labour relations regime can be described as worker-friendly thanks to the consolidation of collective and individual worker rights that took place in late apartheid and during the transition to democracy in 1994 (Nel et al. 2016). The country's labour law encourages majoritarianism, which means that the majority union in an enterprise (that is, the union with representation of 50 per cent plus 1 per cent) concludes a recognition agreement with the employer. This has restricted competition between trade unions in the past, but there has recently been a fragmentation of the labour movement, as pointed out by Bezuidenhout and Tshoaedi (2017). It could be argued that the system has reverted to that of the early 1980s, when there was a veritable alphabet soup of unions and federations, which was daunting for HR managers and labour relations scholars alike. Even so, some broad trends may be discerned.

There has been a noticeable increase in the number of registered trade unions, and their membership has grown as well (Stats SA 2015). There are around 3.96 million members of registered trade unions, most of them public sector workers. There are 191 registered trade unions, 155 registered employer organizations and 44 bargaining councils (South Africa, Department of Labour 2017). Union membership grew rapidly after 1980: by 1995 there had been an increase of 130.8 per cent, translating into a trade union density of 40.9 per cent. However, membership went down thereafter,¹ largely on account of growing unemployment and changes in the labour force structure, such as the rise of non-permanent employment contracts. Technological advances have also contributed to the decrease in union density, notably because of changes in where and how work is performed. The fact that more people are working from home owing to the COVID-19 pandemic has impacted on trade union membership (PSA 2020).

While the manufacturing and tertiary sectors are heavily unionized, trade unions have made little headway in agriculture and the informal and small business sectors. Moreover, despite the early ambitions of the Congress of South African Trade Unions to build broad industry-wide unions, the labour movement has fragmented across the lines of politics, strategy and sector. In addition to the difficulty in reconciling the very different legacies of unionism, the labour movement is now heavily divided in terms of attitudes towards the African National Congress and views on desirable economic policy mixes and on the optimal degree of partnership with employers. For many HR managers, this has led to such challenges as having to deal with multiple unions, the possibility of union splits dividing employees, and the risk of wildcat strike action. However, there is little doubt that the South African labour movement has lost a great deal of the strength and momentum that it enjoyed in the 1990s, which has given employers more room for manoeuvre. This is most apparent in the mining sector, where, as a result of union splits, companies have reversed the gains previously secured by mining unions. Inter-

¹ A recent estimate by Statistics South Africa (2015) put trade union density at 27.4 per cent.

union rivalry has prompted some unions to use occupational safety and health issues as bargaining tools in recruiting new members (Stewart, Bezuidenhout and Bischoff 2020).

6.10 Emerging human-centred HRM practices in selected industries

The HR profession in South Africa evolved out of traditional personnel practice – indeed, the official professional body, the South African Board for People Practices (SABPP) was known until 2009 as the “South African Board of Personnel Practice”. Since its inception in 1982, the Board has always placed a strong emphasis on a psychological approach to people management and on aptitude testing. This tallied with the strong focus of the former National Institute for Personnel Research on selection and recruitment, efficiency and job classification (Keim 2017). The history of psychometric tests in South Africa is problematic: among other things, they were widely used in the security forces of the apartheid era, leading to all kinds of dubious conclusions and interventions (such as attempts to “cure” homosexual conscripts) (Kaplan 2001). Under apartheid they were also used to determine the “optimal” allocation of low-skilled black labour (Keim 2017) and to justify the appointment of unqualified whites to specific jobs. Although there is much controversy over the accuracy of such tests and their limited scientific basis (McCourt 1999), aptitude testing remains an article of faith in many large South African organizations, especially during the recruitment phase – this is true even of recruitment at a senior level. However, performance in aptitude tests in South Africa has been linked to the level of secondary educational attainment in various subjects (Puchert, Dodd and Viljoen 2017). Such testing may therefore serve to entrench racial inequalities, resulting in differential access to decent schooling.

The expansion of trade unions in South Africa gave rise to a need for industrial relations specialists. However, those taking on HR roles to meet that need tended to bypass the SABPP, instead gaining entry to the profession via general management or industrial sociology qualifications. Competing skill sets – and underlying assumptions – have led to a fragmentation of the HR profession: HR departments in some organizations are dominated by industrial relations experts and in others by traditional industrial psychologists. In recent years, the divides have become less stark, but it could be argued that the SABPP has not shown the same dynamism as, say, its UK counterpart, the Chartered Institute of Personnel and Development, in adjusting strategy and membership criteria in response to developments in the world of work.

6.10.1 Mining

Mining remains South Africa’s largest source of exports, although its impact has shrunk as global competition has increased. The production costs of deep mining have risen as well (for gold and platinum among other metals) and the automation of opencast mines has proved to be expensive. Until the late 1980s the sector was associated with labour

repression, the supply of cheap labour through the migrant labour system, and periodic outbreaks of strike action, with employers invariably having the upper hand. There remains a certain mistrust of employers, which is aggravated by a trend towards growing job insecurity and wage stagnation, as laid bare by the massacre of striking miners in Marikana in 2012 (Chinguno 2013; Chaskalson 2016). Although matters have been seemingly more peaceful in recent years, there is still a considerable divide between the often quite conservative employers and their workers, and between rival trade unions. The mining industry has also become one of the main sectors earmarked for Black Economic Empowerment (BEE). Empowerment deals normally involve black-owned companies taking out loans to buy shares in existing operations. Future income from dividends is used to pay off this debt, but the latter is underwritten by the mining company in which the shares were acquired (Bezuidenhout, Bischoff and Mashayamombe 2020).

In underground mining in January 2020, gold mines employed one in five miners (that is, 91,539 miners), while platinum mines employed 164,546 miners, which was over a third of mining employment's total of 451,021 (South Africa, Department of Mineral Resources 2020). Platinum therefore occupies a central role in the national mining sector in terms of employment and sales value (Capps 2012). Yet, every year there are job losses in the mining industry due to the diminishing levels of real output – these being the result of lower production in all major mineral groups, in particular gold, platinum, coal and iron ore. The decrease in production of iron ore also reflects to some extent the challenges of competing with low-cost producers elsewhere – for example, with the automated open-cast mines of Western Australia. Platinum production is on a downward trend (Stewart 2012) and coal production, too, has decreased as the depleted mines have closed. To judge by its actions, Anglo American, which previously had a liberal reputation, appears to be uncomfortable with the post-apartheid transition: it has diversified its operations away from South Africa and is focusing intensely on the developed world (Carmody 2002; Hamann, Khagram and Rohan 2008).

On the one hand, the mining industry remains a major employer. Although deep mining presents a challenging working environment, it is much more labour intensive than automated opencast mining. The industry continues to be heavily unionized, albeit without the same degree of unity as in the past. There is centralized bargaining and sector-wide regulation, and unions are able to monitor health and safety. On the other hand, though, the industry remains a very conservative one, with militarized security and continued pockets of racism and sexism in employment practices. While the appalling single-sex hostels of the apartheid era have declined in occupancy as more miners have been given the opportunity to live within local communities with their families, many of them have had to contend with long commutes and poor housing standards (Pelders and Nelson 2019). These unsatisfactory conditions and lingering tensions have led to periodic bouts of strike action, notably in Marikana in August 2012, when 34 striking miners were massacred.

The tripartite Mine Health and Safety Council provides the Government with the necessary feedback on the enforcement of occupational safety and health regulations.

This ensures some protection for workers, given that, historically, high accident rates have been associated with deep gold mining in the country (Stewart, Bezuidenhout and Bischoff 2020).

In 2006, Kumba Iron Ore, part of Anglo American, launched Envision, an employee share ownership plan (ESOP). Widely regarded as the most successful example of an ESOP in South Africa's mining industry, Envision was established in line with Kumba's broad-based empowerment programme and as a mechanism for the company to share wealth with its permanent employees. Significantly, Envision fulfilled the necessary broad-based BEE conditions outlined in the Mining Charter (a scorecard-based strategy of corporate transformation agreed on between mining companies and the Government that was first introduced in 2002). The first stage of Envision was fruitful, as employees received dividend payouts. However, it was only a short-term programme and did not substantially change the company's ownership. A positive effect is that ESOPs are now a feature of BEE deals in the mining industry, the revamped Mining Charter of 2018 stipulating that 5 per cent of BEE ownership shares have to be earmarked for such plans. It may legitimately be argued that ESOPs are paving the way towards a human-centred approach to HRM in the mining sector (Bezuidenhout, Bischoff and Mashayamombe 2020).

To sum up: like the automotive sector, the mining industry faces the challenge of generating jobs for those who need them. There have been some issues with reinvestment, given the visible preference of major mining houses for overseas ventures. Indeed, at times they have not seemed entirely willing to adapt to a post-apartheid order. While HR practices have advanced greatly since the racial repression of the past (Dansereau 2010), tensions remain in an industry where work is both dangerous and increasingly insecure. Moreover, HRM in the mines is still far from the collaborative paradigm associated with the motor industry. This is not to deny, though, the significant progress made in overcoming the brutal conditions that prevailed in the industry under high apartheid. Some of the best practices outlined above could serve as the basis for meaningful further progress.

6.10.2 Textiles

It was the active industrial policy associated with apartheid that facilitated the development of a large-scale clothing and textiles industry in South Africa (Michie and Padayachee 1998). This included the establishment of large textile plants close to the former Bantustans, which were set up in the hope of enticing blacks away from the cities. Although the industry had a long tradition of heavy unionization, there was also a strong legacy of union conservatism. Divisions within the workforce along racial lines were widespread. Clothing and textiles were one of the most significant labour-intensive industrial sectors under apartheid and manufactured products for both the domestic and export markets, employing a hefty 10 per cent of the total manufacturing workforce. Women accounted for the bulk of employment in clothing production. However, less than a quarter of the jobs there were before 1994 still exist.

By late apartheid, the union movement in the industry had seemingly gained fresh life, and the early post-apartheid era also saw industrial policy experiments undertaken to revive the industry (Bezuidenhout et al. 2007). Yet, global competition in the production of clothing, particularly from China, escalated, contributing to the decline of South Africa's enduring labour-intensive manufacturing industry. Government policies also impaired the competitiveness of South African producers (Bischoff and Wood 2013). Firms now face high levels of competition from abroad, especially from international low-cost manufacturers (Wood and Bischoff 2020). Some have undergone periodic crises of competitiveness, and a considerable number have ceased production.

The contemporary clothing and textiles industry is divided between relatively small and often foreign-owned players on the rural periphery that specialize in low-cost production and largely scaled-down versions of traditional players that have shifted to niche quality production (Bezuidenhout and Jeppesen 2011; Smith and Wood 1998). There are currently just a handful of large factories, referred to as “full-package manufacturers”, most apparel production being dispersed across medium-sized and micro factories, survivalist operations (that is, “cut, make and trim” services offered by some companies) and home-based workers. The workers at full-package manufacturers are usually unionized and are remunerated in line with the minimum wages determined by the parties to the bargaining councils (Tilly et al. 2013).

The bigger cut, make and trim firms tend to be registered with bargaining councils and are part of the formal economy. While they nominally offer the same pay and working conditions as the larger and medium-sized enterprises, they have some punitive policies such as “no work, no pay”, which means that when workers are sick (or there is no demand for production) they are not paid. These home-based and survivalist firms often fail to provide the full range of benefits to which workers are entitled pursuant to the collective agreements negotiated by bargaining councils (Tilly et al. 2013). They are notorious for high levels of labour repression, poor working conditions and a lack of collective representation (Altman 1996). Their production costs are low, but this has largely been achieved at the expense of labour. Trade unions are generally absent, and owners have no qualms about shutting up shop and relocating to neighbouring countries should there be significant resistance from below. Such clothing firms often rely on imported textiles, sometimes procured by circumventing customs barriers.

The main union is the Southern African Clothing and Textile Workers Union, which is now reliant on its political pact with the governing party, the African National Congress, to preserve the favourable conditions achieved for workers in terms of higher wages and industrial policies, but also with regard to BEE policies. The latter policies have helped black workers to obtain significant shareholdings in the biggest clothing manufacturers, and this has gone hand in hand with a transition towards more cooperative and flexible production, and with the ability to change product lines quickly in response to changes in consumer taste and demand (Wood and Bischoff 2020). Many clothing and textile firms have embraced modernized working methods, drawing on the expertise of their

skilled workers to speed up the production of up-to-date designs and clothing lines, in what is known as “fast fashion” and “rapid response” manufacturing. These firms are also characterized by relatively modern HR systems. At the same time, the high levels of occupational and organizational commitment mean that they can plan for when sales are low and incrementally upgrade skills in line with organizational needs. This is thanks to the rescue package for the clothing and textiles industry adopted in 2009 by the Department of Trade, Industry and Competition and the National Bargaining Council for the Clothing Manufacturing Industry, in which it was stated explicitly that “a policy that seeks to base competitiveness on low wages would not be consistent with South Africa’s human rights culture” and that “sustainable human resource policies will allow the industry to compete in the market for high fashion and technical garments and textiles and to deliver innovative, quality products that require well-trained and productive workers” (DTI 2009 cited in Natrass and Seekings 2019, 116).

Transvaal Clothing, a medium-sized unionized company, underwent a major downsizing exercise over 2005–06 and moved most production away from Gauteng Province, as wages there were relatively high. It outsourced some operations to the Durban region of KwaZulu-Natal Province and others to South Africa’s neighbour, Swaziland, but retained its design operations in-house at its headquarters in Johannesburg. The company pays its employees higher wages than the industry average, as it was originally a large company with a strong trade union. The owner of Transvaal Clothing is critical of some companies that deviate from the law, such as the cut, make and trim firms – a problem that is exacerbated by the inadequate enforcement mechanisms. These companies breach the law by not granting overtime pay when their employees work over the weekends. Transvaal Clothing’s people management strategy is contingency based and comprises two main dimensions. Firstly, the company has opted to keep core knowledge in-house, preserving its customary HR policies and procedures such as paying more than the industry norm. Secondly, faced with union discontent and taking into account what it perceived to be over-regulation and high wage costs, Transvaal Clothing has outsourced its production to low-cost peripheral producers. The risks associated with such outsourcing include a loss of skills and knowledge, a wider gap between design and production, and some loss of control over the quality of the products (Wood and Bischoff 2020).

The clothing and textiles industry may seem to be in a generally adverse situation, given the decline in jobs and, implicitly, also in the scope for practising HRM. However, there are a number of firms that have managed to switch to high-value-added niche production, based on close ties between design and production and a close monitoring of changes in consumer taste. For example, the outdoor clothing and equipment manufacturer, K-Way, has developed a highly successful business model based on a policy of lifetime employment, which is very unusual in general and quite exceptional in this particular industry. After a careful selection process, individuals acquire on-the-job skills and are provided with training so that they can progress to the production of specific product lines and move between these. While lifetime employment is not to be found elsewhere in the

industry, there are other clothing and textiles producers that have protected themselves from intense competition by occupying specialized niches in the market and/or enhancing their competitiveness through functionally flexible workforces and close knowledge of customer needs and concerns. A central role in that respect is played by effective formal and informal HR strategies that combine best HRM practices in general and an awareness of specific production challenges and needs.

6.10.3 Wine

South African wine is another major export success. The industry dates back to the earliest years of European settlement. Under apartheid, farmers were paid fixed rates for grapes, with little heed taken of demand or quality. Indeed, quality was constrained by a ban on the cultivation of distinguished grape varieties (such as Chardonnay) and the overplanting of lesser ones (such as Colombard and Crouchen). As the growing of grapes in such circumstances was quite lucrative, production was linked to quotas, which were allocated preferentially to Afrikaans-speaking farmers in hotter peripheral regions, rather than to smaller producers in regions with a cooler climate (such as Constantia, Elgin and Walker Bay) which were more favourable for the production of quality wine. Labour relations were often highly repressive, being marked at times by vestiges of the age of slavery. Generations of coloured workers were effectively bound to their employers through a reliance on employment-tied housing. Wages were low, the threat of physical violence by overseers was widespread and, in some instances, workers were paid in alcohol under the notorious *dop* system (Water Naude et al. 1998). Production was concentrated in large farmers' cooperatives overseen by the Cooperative Winegrowers Association of South Africa (Kooperatiewe Wijnbouwers Vereniging van Zuid-Afrika), which itself directly owned a number of wine cellars. In order to access international markets in the face of intensifying sanctions, increasing use was made of illegal methods, most notably shipping bulk wine to Bulgaria for relabelling as produce of that country and further treatment (for example, still wine was carbonated for sale as French champagne) before onward sale in the United Kingdom and elsewhere.

The end of apartheid led to a switch to higher-quality grape varieties, abandonment of the quota system, and the proliferation of small independent wineries. Many of these wineries were run on a very small scale. Although it was not always the case, a significant number of them adopted exemplary work and employment practices (Ewert and du Toit 2005). These included the provision of high-quality housing, giving workers property rights to the latter, superior wages, a stronger emphasis on training and development, a dismantling of rigid racial hierarchies, and the introduction of teamworking.

Embarking on wine production in South Africa as a “newcomer” has been incredibly difficult, since it is management, capital and technology intensive. Deregulation and the decline in state support in the post-apartheid era have exacerbated these challenges, and there are chronic skills shortages. Moreover, the South African wine industry is

highly racialized, most of the owners and middle managers being white while the workforce is predominantly coloured. However, entering the industry was a lifestyle decision for many smaller players. Because of the widespread competition and the daunting challenges of marketing internationally, closures remain frequent, contributing to employment insecurity.

The major wine production zone in the Western Cape now houses a number of black-owned and black-co-owned vineyards that are Fair Trade Certified; a number of them promote their wine labels as worker or black owned (Moseley 2008). For example, the Thandi wine collective, an equity share scheme, is the only successful case of ordinary South African farmworkers becoming co-owners of a successful commercial agribusiness. The Thandi collective is a BEE programme implemented through partnerships between white farmers, farmworkers and their communities, firms in the winemaking and fruit distribution sectors, the State and retailers. Production is aimed at the high-value end of the general market and, more specifically, at the Fair Trade market (Ewert, Eva and Hamman 2007).

Meanwhile, the large cooperatives have reconfigured themselves, in several cases under private ownership (Bek, McEwan and Bek 2007). These have proved highly adept at meeting the tastes of Western supermarket consumers, most notably through wines with quite high alcohol and sugar content sold at low prices. Typically, such wine is bulk shipped and bottled in the country of sale, the label giving little information on the actual producer or even the region of production. (However, even this minimal transparency in wine labelling could be considered exemplary when compared with many Australian and New Zealand wines.) Although it is not universally the case, poor labour standards remain common in areas producing bulk wines (Devereux 2020). Even in the premium Stellenbosch area, some 10 per cent of farmers still used the infamous *dop* system in the late 1990s (Water Naude et al. 1998); the figures are likely to remain much higher in non-premium wine regions. Some large producers have made significant progress in, for example, ensuring greater black ownership and aligning themselves with Fair Trade standards. This is because, on account of their supply chain connections, working conditions in the South African wine-producing companies have had to improve in order to meet international standards (Stigzelius and Mark-Herbert 2009). However, other large producers continue to be associated with very poor standards among their grape growers; the predominant rationale remains low cost, rather than the human dimension. There is insufficient awareness of how better people management could help to enhance productivity and quality.

The wine industry can be considered to be an extreme case of the disjointedness of HR practice in South Africa: “islands” of good practices (many of them small) surrounded by extensive areas with very poor standards. The BEE initiatives have led to minor changes in ownership patterns, while the application of Fair Trade certification standards has improved working conditions among those vineyards seeking such a status. However, not many black African and coloured workers have come to occupy managerial and

ownership positions. It is likely that land reform initiatives whereby the Government provides black and coloured farmworkers with grants so that they can acquire their own vineyards could be more effective in transforming the wine industry. This would depend, though, on the workers having the requisite skills to fully participate in the management of farms and on their being supported by local and global markets (Moseley 2008). The overall picture of the industry may seem bleak, yet the good HR practices observed here and there – such as high levels of worker participation, including employee ownership in some cases, bottom-up and on-the-job skills development and the identification of talented rank-and-file workers for promotion – suggest that there is considerable potential. Indeed, there are already some successful examples that could be emulated by other producers wishing to achieve fairer conditions and more sophisticated HRM.

6.10.4 Automotive industry

Like Australia and New Zealand, until the 1980s South Africa pursued an active industrial policy that enabled the development of a diversified manufacturing sector. As noted earlier, the end of apartheid led to problems of competitiveness: while policy tweaks helped some industries to survive, many experienced considerable job losses. Firms could not rely on the apartheid system any longer to provide cheap and easily disciplined labour, and they were compelled to try out more cooperative production paradigms. This created the space for the practice of modern HRM, even as a growing proportion of the workforce were taking on precarious employment in the informal sector.

In the 1990s and 2000s, the motor industry in South Africa endured and even thrived, despite the ongoing liberalization of tariffs, and established itself as a high-quality and efficient sector. This was due to the improvement of industrial and work relations coupled with firms' ability to be inventive and creative with few resources.

After mining, the automotive industry is South Africa's largest exporter and employs (if its supply chains are also included) about 100,000 people. It is firmly integrated into global value chains. Industrial policy interventions helped to save and restore the crucial areas of manufacturing and this was particularly true of the motor industry. South Africa's motor vehicle assembly plants are fairly productive (Black 2011) thanks to the effective implementation of high-value-added production paradigms involving elements of high-performance work systems and the extensive use of teamwork, all reinforced by labour legislation that has preserved and shored up centralized bargaining. Yet, there have been periodic outbreaks of intense strike action, which is again indicative of the substantial discontent with wage restraint policies and job insecurity among workers (Chiumbu 2016). Workers have taken on not only shared responsibility but also risks, and, from their perspective, they have not always received their fair share of the gains.

Liberalization was phased in with the launch of the Motor Industry Development Programme in 1995. This involved the gradual reduction of tariffs and the implementation of the Import–Export Complementation scheme (Flatters and Netshitomboni 2006),

which permitted the import of tariff-free components on the condition that components of equivalent value were exported (Barnes 2000). Manufacturers and their suppliers could effortlessly update their ranges and use imported items, instead of poor-quality locally sourced components, in order to boost the volumes of locally produced items (Barnes 2000). Locally based major car manufacturers could focus on single models, which allowed reasonable levels of production to be achieved and offered local consumers a mix of South-African-built and imported models. When the Motor Industry Development Programme ended in 2012, it was superseded by the Automotive Production and Development Programme, which ran until 2020. The new programme kept the same protective tariffs of 25 per cent on imported vehicles and 20 per cent on imported components, but firms that produced more than 50,000 cars were eligible for import duty rebates (Furlonger 2014). Some criticized these schemes as being needlessly expensive, since the goal of a self-sufficient and high-volume local industry was bold yet unattainable (Furlonger 2014). Others argued that the levels of protection, which were compatible with World Trade Organization requirements, were insufficient to maintain the South African automotive components industry (Bronkhorst, Steyn and Stiglingh 2013; Steyn 2013). Nevertheless, compared with the malaise afflicting automotive manufacturing in many other countries, the progress achieved in South Africa is impressive.

Unlike mining and agriculture, where the application of modern HRM is limited, the South African motor industry's transformation has coincided with the development of fully fledged HRM systems. These include a strong focus on internal human capital development to make up for gaps in the national training system; HR planning premised on low levels of job swapping; and pay and reward systems that both support centralized bargaining and offer incentives for productivity increases. The experience of the automotive industry illustrates the strengths and weaknesses of HRM in South Africa. Starting with an approach that centred around cheap labour and improvisation, the industry has become globally competitive and now focuses on the export of a limited range of models and components. This has been accompanied by the adoption of more sophisticated HR systems: moving away from a largely administrative function, these incorporate human capital development planning based on long service periods, collective bargaining and teamworking. As the country's most successful manufacturing exporter, the sector can be held up as an example of HRM best practice. At the same time, though, the number of jobs in the industry has not kept pace with the increases in the volume of production – a consequence of productivity gains. This, together with wage restraint, has led to periodic eruptions of resentment and strike action. However, it has so far proved possible to reach settlements without jeopardizing the status of major players. (The exit of General Motors from the South African market in 2017 was, rather, a reflection of the company's general problems.)

Automotive workers have found themselves in the position of a relatively privileged elite. With regard to pay and rewards, the basic conditions were established by legislation, but at the industry-level bargaining council, employers and unions agreed on remuneration

and benefits that were significantly higher than in many other sectors, and also on rigorous compliance with health and safety requirements. This resulted in a safe working environment and exceptional terms and conditions of service. The National Union of Metalworkers of South Africa (NUMSA) is the major union in the automotive sector, especially at the seven original equipment manufacturers, and has a membership of between 70 and 95 per cent of the hourly workforce. NUMSA also represents salaried workers, but the minority unions such as the traditionally white Solidarity and UASA (formerly the United Association of South Africa) have been mainly responsible for these. In 2010, there were a series of prominent strikes in the automotive components industry, and smaller strikes have continued to take place ever since. Although workers and unions in the early 2000s accepted wage restraint for the sake of competitiveness and organizational stability, they have subsequently demanded a bigger portion of the value created because of the increasing job insecurity they have been facing. The basis for cooperation between unions and firms in the automotive sector is clearly under threat.²

At Volkswagen South Africa, based in Uitenhage in Eastern Cape Province, outsourcing, the adoption of new technologies, realignment, restructuring, rightsizing and downsizing are now routine. At the same time, there are participatory forums at the plant that are designed to give workers a say in decision-making on many matters, such as workplace restructuring. Such forums were in the past sceptically regarded by the unions as an attempt to co-opt trade union leaders in management-driven workplace change (Masondo 2010). However, workplace restructuring is a process that employees who are members of trade unions like NUMSA increasingly feel they need to be involved in: they understand that it is essential for the economic well-being of the plant and to safeguard their jobs. The management at Volkswagen South Africa similarly believe that workplace restructuring is needed for the plant to remain globally competitive and to ensure the upgrading of production systems, since without these changes the company will be at risk of losing its competitive edge (Bischoff, Masondo and Webster 2021).

6.10.5 General trends

The case studies presented in the preceding subsections highlight how certain practices are strongly embedded in South African firms, which makes it challenging to move to a more human-centred HRM approach that recognizes workers as being more than just units of production. The greatest progress has been made in the automotive sector, but there too wage restraint – imposed even in times of visible increases in production and revenue – has eroded trust among workers vis-à-vis their employers. There are clearly opportunities to change things for the better, as evidenced, for example, by the success of some employers in the premium wine industry, who have provided their workers with

² It is worth noting that a similar phenomenon has emerged in the United Kingdom, where Sunderland, the site of a large Nissan plant, resoundingly voted for Brexit in 2016, despite pleas from management that doing so would jeopardize the future of the plant.

dignity, decent work and security. At the same time, there are challenges arising both from volatility in world markets and from the fact that some unprincipled employers – not only in the wine industry – have managed to secure strong profits using tried-and-tested methods of labour repression from the past, which should have no place in the twenty-first century.

6.11 Conclusions

Like many other emerging markets, South Africa has experienced a shrinking of its formal employment base and, as a result, a reduction of the space within which HRM can be practised. Moreover, although many countries are facing skills crises, the persistence of racial inequality in the South African education system has compelled firms to develop their HR capacities from within, rather than through reliance on the external labour market. This process has been facilitated to some extent by low job turnover, a consequence of very high unemployment. There are some notable success stories among exporting firms. In the motor industry, success has been closely linked to effective HRM, which has enabled the development of highly cooperative production paradigms based on teamwork and joint problem-solving. This same is true of high-value-added pockets of activity in the clothing and textiles industry. Such a phenomenon may be observed in many emerging markets: small areas of specialized production have been highly successful, but it has been difficult to disseminate their good practices more widely because of strong global pressures to deregulate and the opposition of international financial actors to active industrial policies.

Other major export successes in South Africa, such as the wine industry, present a much more complex picture. Some of the most thriving firms in that industry have been associated with poor labour practices in the lower segments of their production chains, which in some cases are more reminiscent of the eighteenth-century Cape than of people management in the modern world. Similarly, while labour standards in the mining industry have improved considerably in recent years, there remain great divides. In particular, deep-level miners have had to contend with increased job insecurity, wage stagnation and continued problems with access to decent housing. Meanwhile, many small businesses have chosen to partially disengage from the collective bargaining system, given that it is widely perceived to be unresponsive to their needs and that trade unions are somewhat unrealistic in the demands they make of employers with limited resources. Again, strong global pressures are behind the fragmentation of HR practices, leading to the coexistence of firms with labour-repressive approaches and other firms with human-centred ones. Indeed, in some areas, there is a symbiosis between the two types – for example, in clothing and textiles, where higher-value-added end producers may sometimes rely on low-cost supplies from dubious sources.

It is evident that while the South African regulatory system works quite well for some larger firms and the unions representing their workers, it has been less effective in

addressing the needs of smaller firms and informal workers, which make up large areas of the economy. The country has struggled to sustain large-scale employment in the face of heightened global competition and policy constraints. On the one hand, this has led to calls for radical liberalization, yet elsewhere in the world such experiments have failed to generate decent work and have often aggravated inequalities. On the other hand, the current regulatory system is only partially functional and there is a clear need to develop labour market institutions so as to support smaller firms and peripheral workers. The recent COVID-19 pandemic has revealed that national governments have a much wider range of policy instruments at their disposal than previously assumed. More specifically, it has drawn attention to proposals for the introduction of a basic income grant and to the way in which such a measure could help to subsidize marginal employers and their workers, creating space for the development of more inclusive HR policies. It would be essential for the HR profession in South Africa to play a role in this process, but that would mean going beyond the traditional focus on aptitude testing and labour allocation to explore the role of people management within the wider political economy. Industrial relations in South Africa have so far been much more concerned with large firms and unions and with questions of collective bargaining and work organization than with issues such as HR planning and skills development or, more generally, with the adoption of integrated human-centred HRM approaches. A major challenge in that respect is to foster a conversation among South African practitioners of people management that accepts the value of different disciplinary traditions while recognizing the abiding effects of national factors.

► References

- Altman, Miriam. 1996. "Labour Regulation and Enterprise Strategies in the South African Clothing Industry". *Regional Studies* 30 (4): 387–399.
- Averchenkova Alina, Kate Elizabeth Gannon, and Patrick Curran. 2019. "Governance of Climate Change Policy: A Case Study of South Africa". Grantham Research Institute on Climate Change and the Environment; and Centre for Climate Change Economics and Policy, London School of Economics and Political Science.
- Barnes, Justin. 2000. "International Customer Perceptions of South African Automotive Component Manufacturer Performance Levels", Industrial Restructuring Project Research Report No. 32. University of Natal, School of Development Studies.
- Bek, David, Cheryl McEwan, and Karen Bek. 2007. "Ethical Trading and Socioeconomic Transformation: Critical Reflections on the South African Wine Industry". *Environment and Planning A: Economy and Space* 39 (2): 301–319.
- Bezuidenhout, Andries, Christine Bischoff, and John Mashayamombe. 2020. "Pitfalls of Participation: Explaining Why a Strike Followed Unprecedented Employee Dividend Payouts at a South African Mine". *International Review of Applied Economics* 34 (4): 423–438.
- Bezuidenhout, Andries, and Søren Jeppesen. 2011. "Between Market, State and Society: Labour Codes of Conduct in the Southern African Garment Industry". *Development Southern Africa* 28 (5): 653–668.
- Bezuidenhout, Andries, Grace Khunou, Sarah Mosoetsa, Kirsten Sutherland, and John Thoburn. 2007. "Globalisation and Poverty: Impacts on Households of Employment and Restructuring in the Textiles Industry of South Africa". *Journal of International Development* 19 (5): 545–565.
- Bezuidenhout, Andries, and Malehoko Tshoamedi, eds. 2017. *Labour beyond COSATU: Mapping the Rupture in South Africa's Labour Landscape*. Johannesburg: Wits University Press.
- Bischoff, Christine, Themba Masondo, and Edward Webster. 2021. "Workers' Participation at Plant Level: A South African Case Study". *Economic and Industrial Democracy* 42 (2): 376–394.
- Bischoff, Christine, and Geoffrey Wood. 2013. "Selective Informality: The Self-Limiting Growth Choices of Small Businesses in South Africa". *International Labour Review* 152 (3–4): 493–505.

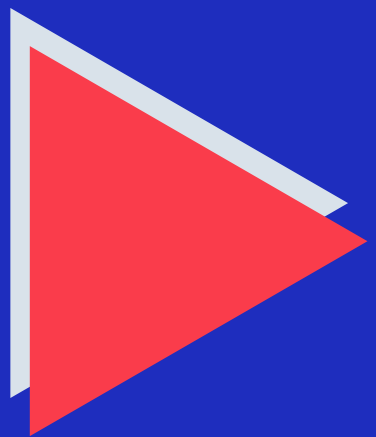
- Black, Anthony. 2011. "Trade Liberalization, Technical Change and Firm Level Restructuring in the South African Automotive Component Sector". *Institutions and Economics* 3 (2): 173–202.
- Blanco, Jose L., Juan Ambrosioni, Felipe Garcia, Esteban Martínez, Alex Soriano, Josep Mallolas, and Jose M. Miro. 2020. "COVID-19 in Patients with HIV: Clinical Case Series". *The Lancet HIV* 7 (5): e314–e316.
- Bowman, Andrew. 2020. "Parastatals and Economic Transformation in South Africa: The Political Economy of the Eskom Crisis". *African Affairs* 119 (476): 395–431.
- Bronkhorst, Evádne, Jasper Steyn, and Madeleine Stiglingh. 2013. "The Automotive Production and Development Programme: An Analysis of the Opinions of South African Stakeholders". *Journal of Applied Business Research* 29 (5): 1281–1300.
- BusinessTech. 2019. "These Are the Employees I Would Hire Tomorrow if I Could Find Them: Capitec CEO". 27 September 2019.
- Capps, Gavin. 2012. "Victim of Its Own Success? The Platinum Mining Industry and the Apartheid Mineral Property System in South Africa's Political Transition". *Review of African Political Economy* 39 (131): 63–84.
- Carmody, Pádraig. 2002. "Between Globalisation and (Post) Apartheid: The Political Economy of Restructuring in South Africa". *Journal of Southern African Studies* 28 (2): 255–275.
- Chaskalson, Raphael. 2016. "The Road to Marikana: Transformations in South Africa's Platinum Industry, 1994–2012". *Journal of Southern African Studies* 42 (5): 857–873.
- Chinguno, Crispen. 2013. "Marikana Massacre and Strike Violence Post-apartheid". *Global Labour Journal* 4 (2): 160–166.
- Chiumbu, Sarah. 2016. "Media, Race and Capital: A Decolonial Analysis of Representation of Miners' Strikes in South Africa". *African Studies* 75 (3): 417–435.
- Dansereau, Suzanne. 2010. "Comparing Dueling Approaches to the Transformation of South African Mining: Corporate Social Responsibility or Labour Restructuring?" *Labour, Capital and Society / Travail, capital et société* 43 (1): 63–98.
- Devereux, Stephen. 2020. "Violations of Farm Workers' Labour Rights in Post-apartheid South Africa". *Development Southern Africa* 37 (3): 382–404.
- Ewert, Joachim, and Andries du Toit. 2005. "A Deepening Divide in the Countryside: Restructuring and Rural Livelihoods in the South African Wine Industry". *Journal of Southern African Studies* 31 (2): 315–332.
- Ewert, Joachim, Gary Eva, and Johann Hamman. 2007. *South Africa: The Inclusion and Empowerment of Farm Workers through Partnerships – The Case of "Thandi" Fruit and Wine*. London: International Institute for Environment and Development.

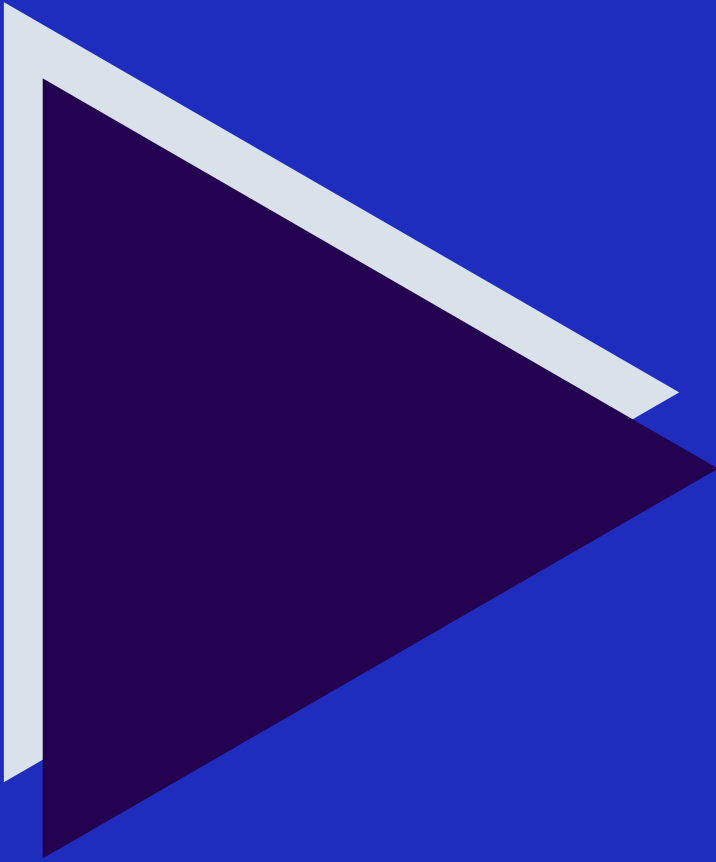
- Flatters, Frank, and Nnzeni Netshitomboni. 2006. "Trade and Poverty in South Africa: Motor Industry Case Study". University of Cape Town, Southern Africa Labour and Development Research Unit.
- Francis, David, Gareth Roberts, and Imraan Valodia. 2019. "South African Manufacturing Firms in Transition". *International Review of Applied Economics* 33 (1): 71–92.
- Furlonger, David. 2014. "South Africa's Thriving Car Industry Set to Crash". *Business Day*, 25 February 2014.
- Groenewald, Darelle, and Jonathan Powell. 2016. "Relationship between Sustainable Development Initiatives and Improved Company Financial Performance: A South African Perspective". *Acta Commercii* 16 (1).
- Hamann, Ralph, Sanjeev Khagram, and Shannon Rohan. 2008. "South Africa's Charter Approach to Post-apartheid Economic Transformation: Collaborative Governance or Hardball Bargaining?" *Journal of Southern African Studies* 34 (1): 21–37.
- Hurrell, Andrew, and Ngaire Woods. 1995. "Globalisation and Inequality". *Millennium: Journal of International Studies* 24(3): 447–470.
- Kaplan, Robert. 2001. "The Aversion Project: Psychiatric Abuses in the South African Defence Force during the Apartheid Era". *South African Medical Journal* 91 (3): 216–217.
- Keim, Wiebke. 2017. *Universally Comprehensible, Arrogantly Local: South African Labour Studies from the Apartheid Era into the New Millennium*, translated by Margaret Hiley. Paris: Éditions des archives contemporaines.
- McCourt, Willy. 1999. "Paradigms and Their Development: The Psychometric Paradigm of Personnel Selection as a Case Study of Paradigm Diversity and Consensus". *Organization Studies* 20 (6): 1011–1033.
- Mashilo, Alex Mohubetswane. 2020. "Technology is a Powerful Determinant of Change, but Labour Can Shape Its Direction". *The Conversation*, 2 July 2020.
- Masondo, Themba. 2010. "Worker Participation in Workplace Restructuring in the Automotive Industry: A Comparative Study of German and South African Volkswagen Plants, 1970–2009". MA research report, University of the Witwatersrand.
- Michie, Jonathan, and Vishnu Padayachee. 1998. "Three Years after Apartheid: Growth, Employment and Redistribution?" *Cambridge Journal of Economics* 22 (5): 623–636.
- Moseley, William G. 2008. "Fair Trade Wine: South Africa's Post-apartheid Vineyards and the Global Economy". *Globalizations* 5 (2): 291–304.
- Mtembu, Vuyokazi N. 2018. "Greening Is Not a Priority for Human Resource: Insights from Human Resource Practitioners". *Acta Commercii* 18 (1).

- Nattrass, Nicoli, and Jeremy Seekings. 2019. *Inclusive Dualism: Labour-Intensive Development, Decent Work, and Surplus Labour in Southern Africa*. Oxford: Oxford University Press.
- Nel, Pieter S., Monica Kirsten, Ben Swanepoel, Barney Erasmus, and Barney Jordaan. 2016. *South African Employment Relations: Theory and Practice*, 8th ed. Pretoria: Van Schaik.
- Pelders, Jodi, and Gill Nelson. 2019. "Living Conditions of Mine Workers from Eight Mines in South Africa". *Development Southern Africa* 36 (3): 265–282.
- PSA (Public Servants Association of South Africa). 2020. "Rethinking Trade Union Organising: Lessons from Worker Surveys and the Changing Nature of Work". 15 December 2020.
- Puchert, Juliet I., Nicole Dodd, and Kim L. Viljoen. 2017. "Secondary Education as a Predictor of Aptitude: Implications for Selection in the Automotive Sector". *SA Journal of Industrial Psychology* 43 (1).
- Ronnie, Linda, and Alison J. Glaister. 2020. "Talent Management Challenges for Women in South Africa". In *Africa and the Sustainable Development Goals*, edited by Maano Ramutsindela and David Mickler, 135–144. Cham: Springer.
- Satgar, Vishwas. 2015. "A Trade Union Approach to Climate Justice: The Campaign Strategy of the National Union of Metalworkers of South Africa". *Global Labour Journal* 6 (3): 267–282.
- Seepe, Siphso. 2017. "Higher Education Transformation in South Africa". In *Knowledge and Change in African Universities*, vol. 1 (*Current Debates*), edited by Michael Cross and Amasa Ndofirepi, 121–143. Rotterdam: Sense Publishers.
- Smith, Michael R., and Geoffrey T. Wood. 1998. "The End of Apartheid and the Organisation of Work in South Africa's Eastern Cape Province". *Work, Employment and Society* 12 (3): 479–495.
- South Africa, Department of Labour. 2017. *Annual Labour Market Bulletin 2016–2017*.
- . 2018. *Job Opportunities and Unemployment in the South African Labour Market 2017–2018*.
- South Africa, Department of Mineral Resources. 2020. *Mining Labour Report 2020 Quarter 1*.
- Stats SA (Statistics South Africa). 2015. "Mining: Production and Sales (Preliminary) – January 2015", Statistical Release P2041.
- . 2020. "Quarterly Labour Force Survey – Q1:2020".

- Stewart, Paul. 2012. "Intensified Exploitation: Rock Drill Operators' Post-strike Productivity Deal in a South African Platinum Mine". *Labour, Capital and Society / Travail, capital et société* 45 (2): 32–57.
- Stewart, Paul, Andries Bezuidenhout, and Christine Bischoff. 2020. "Safety and Health before and after Marikana: Subcontracting, Illegal Mining and Trade Union Rivalry in the South African Mining Industry". *Review of African Political Economy* 47 (163): 27–44.
- Steyn, Lisa. 2013. "SA Motor Incentives Insufficient", *Mail & Guardian*, 11 October 2013.
- Stigzelius, Ingrid, and Cecilia Mark-Herbert. 2009. "Tailoring Corporate Responsibility to Suppliers: Managing SA8000 in Indian Garment Manufacturing". *Scandinavian Journal of Management* 25 (1): 46–56.
- Tilly, Chris, Rina Agarwala, Sarah Mosoetsa, Pun Ngai, Carlos Salas, and Hina Sheikh. 2013. "Final Report: Informal Worker Organizing as a Strategy for Improving Subcontracted Work in the Textile and Apparel Industries of Brazil, South Africa, India and China". University of California Los Angeles, Institute for Research on Labor and Employment.
- van der Heijden, Stephen. 2020. "#BizTrends2020: Tech Skills in 2020". BizCommunity, 3 January 2020.
- van Staden, Hanlie, and Daleen van der Merwe. 2017. "Addressing Low-Literacy in the South African Clothing Retail Environment". *Journal of Consumer Sciences* 2: 55–68.
- Walwyn, David Richard, and Shahendra Naidoo. 2020. "Policy Mixes and Overcoming Challenges to Innovation in Developing Countries: Insights from a Mixed Methods Study of South Africa's Manufacturing Sector". *African Journal of Science, Technology, Innovation and Development* 12 (1): 33–46.
- Water Naude, Jim te, Leslie London, Blanche Pitt, and Carol Mahomed. 1998. "The 'Dop' System around Stellenbosch: Results of a Farm Survey". *South African Medical Journal* 88 (9): 1102–1105.
- Wellmann, Ursula, and Catherine Pineo. 2019. "The Importance of Aligning Skills Development to Support Innovation: A Case of Youth Skills Development and Innovation in Green Tech Manufacturing in the Atlantis Special Economic Zone (ASEZ)". Paper presented at the Trade and Industrial Policy Strategies (TIPS) Forum 2019, Midrand, South Africa, 30–31 May 2019.
- Wood, Geoffrey, and Christine Bischoff. 2020. "Challenges and Progress in Integrating Knowledge: Cases from Clothing and Textiles in South Africa". *Journal of Knowledge Management* 24 (1): 32–55.

- Wood, Geoffrey, Pauline Dibben, and Gilton Klerck. 2013. "The Limits of Transnational Solidarity: The Congress of South African Trade Unions and the Swaziland and Zimbabwean Crises". *Labor History* 54 (5): 527–539.
- Wood, Geoffrey, and Pralene Mahabir. 2001. "South Africa's Workplace Forum System: A Stillborn Experiment in the Democratisation of Work?" *Industrial Relations Journal* 32 (3): 230–243.





Chapter 7

Conclusion: Lessons learned and ways forward*

Fang Lee Cooke and Nikolai Rogovsky

7.1 What did the project set out to achieve?

Our project explored human-centred HRM policies and practices in five major emerging economies, namely the BRICS countries: Brazil, the Russian Federation, India, China and South Africa. Its approach differed in two significant ways from traditional studies of HRM in these countries. One is the emphasis on a *human-centred agenda*. We undertook our research with reference to the human-centred agenda for the future of work promoted by the ILO and reflected in the ILO Centenary Declaration of 2019. We sought to understand the implications of this agenda for enterprises and their HRM practices, and how, if at all, enterprises in BRICS countries might contribute to its implementation from the perspective of people management. A second difference is that we used the concept of *megatrends* as the context for our investigation. The human-centred agenda advocated by the ILO is itself a response to a number of megatrends, or key challenges, that the whole world, including the private sector, is facing. Among these are artificial intelligence, digital technologies, and innovation; environmental and climate change; demographic shifts; and globalization (naturally, we considered a few other challenges as well, in particular those associated with the COVID-19 crisis). They dominate policy debates, influence corporate thinking and action, and shape the world of work in modern society. In our project we focused on how such megatrends are creating both challenges and opportunities for HRM policy and practice, and how businesses respond to them.

The project was guided by a list of broad research questions as outlined in Chapter 1. Rather ambitiously, we hoped to understand how each megatrend affects specific HR subfunctions – for example, how the introduction of artificial intelligence affects training and development, or how environmental concerns impinge on compensation

* We should like to acknowledge the inputs made to this concluding chapter by the authors of each country chapter in the present volume.

and benefits. It is important to note that no megatrend occurs in isolation and impacts on employment and HRM practices independently of other megatrends. Rather, they influence one another and have interactive or knock-on effects, as our case studies have revealed.

The country chapters in this volume provide up-to-date knowledge about whether and how companies based in the BRICS countries can develop management policies and practices in line with key principles of the ILO's human-centred agenda and, thereby, contribute to the implementation of that agenda at the national level and help their countries to achieve sustainable development. The authors shed light on the different impacts of each of the above megatrends (and their interaction) on employment and HRM issues. Owing to such challenges as data availability and limited access to companies (partly because of the COVID-19 crisis), many questions require further investigation. There is still a huge research gap that needs to be filled. We summarize below what we have learned from the project in general and from the country chapters specifically. We also propose several fruitful avenues for future research.

7.2 What have we learned? Megatrends and HRM in the BRICS countries

Implementing the ILO's human-centred agenda will not be possible without coordinated efforts by businesses, which are key stakeholders in that respect. A major challenge is how to ensure that businesses contribute to this agenda both by behaving in a socially responsible manner (which is mainly the role of the CSR/sustainability function) and by developing people management concepts, policies and practices that are in line with the agenda (which is the role of the HRM function and the focus of this book).¹

Enterprises have always been at the centre of the ILO agenda. However, many of the ILO's research projects are conducted at the macro level of analysis and may not necessarily look inside enterprises: that is, they rarely examine decision-making processes, the relationships between various departments and units within a firm, the role of CEOs in addressing HRM challenges, and so on. This volume seeks to illuminate how companies themselves respond to the challenges associated with the megatrends, how they perceive their role in contributing to the human-centred agenda, and how this agenda is translated, if at all, from the corporate strategic thinking and planning levels to concrete HR policies and practices in the BRICS countries.

The five country chapters in this volume have revealed distinct institutional traditions, emerging trends and unique practices at the national, industry and firm levels. The effects of each of the megatrends on HRM have been mixed (both positive and negative) and

¹ Many organizations have separate CSR and HRM departments (functions), although the two overlap and coordination and collaboration between them are both necessary and desirable.

have manifested themselves unevenly in each of the target countries (see table 7.1). There are many lessons to be learned from these five country studies, and some of the key findings and implications are outlined further on.

► **Table 7.1. Megatrends and their impact on HRM in the BRICS countries**

Megatrend Country	Artificial intelligence, digital technologies, and innovation	Environmental and climate change	Demographic shifts	Globalization
Brazil	Medium and positive	Weak and positive	Strong and positive	Medium and positive
Russian Federation	Strong and positive	Weak and positive	Strong and negative	Moderate and negative
India	Strong, positive and negative	Weak and positive	Strong and positive	Strong and positive
China	Strong, positive and negative	Weak, positive and negative	Strong and positive	Strong and positive
South Africa	Medium, positive and negative	Weak and positive	Medium and positive	Medium and positive

7.2.1 Increasing role of artificial intelligence and digital technologies

The development and application of artificial intelligence and digital technologies have been proceeding at different speeds across the BRICS countries and the industrial sectors within them. Their influence on management policies and practices is quite well documented for China, India and, to a lesser extent, the Russian Federation. The growing adoption of such technologies is likely to have further impacts on employment and HRM across the BRICS countries over time, especially in conjunction with the aftermath of the COVID-19 crisis, but with distinct features and at different levels of intensity across industrial sectors and occupational groups. In the Russian Federation and China, the State plays a salient role in steering technological innovation, especially in areas that are critical for national competitiveness. This has resource and labour market implications, among others, for firms. In contrast, technological innovation in India has been spearheaded by leading private firms that are highly competitive in the global arena. Macro-level skills training and development also determine the range of skills that will be available in the labour market, which has implications for both firms and the workforce, as can be

observed in Brazil particularly. In China and India, the widespread adoption of electronic transactions (cf. the promotion of a cashless economy in India and WeChat payments in China) has led to major restructuring and job losses in the banking industry. The COVID-19 pandemic has accelerated the introduction of robots in public services and restaurants. The increasing application of machine-learning and cloud-computing technologies is further eroding employment and job security, an effect clearly at odds with human-centred HRM and sustainable development. As the adoption of artificial intelligence and digital technologies gathers pace in Brazil, the Russian Federation and South Africa, these countries may encounter situations similar to those observed in China and India.

7.2.2 Limited impact of environmental challenges on HRM

Very little evidence was found for the impact of environmental challenges on HRM. A new research project could usefully focus on determining why this has been the case and identifying possible policy and management implications. One reason may be that the BRICS countries have yet to engage more fully with the climate change and energy transition strands of the 2030 Agenda for Sustainable Development. As more and more countries subscribe to the goal of net zero greenhouse gas emissions and draw up relevant national strategies, there may be rapid developments in that respect. For example, in late 2020, China announced its intention to have carbon emissions peak by 2030 and to become carbon neutral by 2060 (Mallapaty 2020). Achieving such an ambitious plan would require a transformation of the country's existing energy production and consumption structure and significant investment in the renewable energy sector.

For the BRICS countries more broadly, to address environmental challenges firms will have to adopt “green HRM” practices as part of a sustainable HRM system. This refers to HR strategy and practices that support an organization's sustainability goals (Paulet, Holland and Morgan 2021; Ren and Jackson 2020; Ren, Tang and Jackson 2018). To date, green HRM is not widespread in the BRICS countries, mainly because of the low priority accorded to it by firms and the insufficient pressure on them to adopt environmental management practices. Ethical leadership is essential to drive this agenda forward (McWilliams et al. 2019; Ren, Tang and Jackson 2020). However, the findings of various studies suggest that HR practitioners are often not seen as equal partners in shaping corporate sustainability and CSR strategies, and this partly explains why they have not assumed a more prominent role in this area (Stahl et al. 2020). There are, consequently, major challenges that HR practitioners in the BRICS countries will need to overcome to develop a sustainable HRM system that puts employees at the centre (Richards 2020) as these countries strive to tackle climate change and achieve the transition towards a low-carbon economy.

7.2.3 Demographic change and its implications for skills

Brazil, China and India have undoubtedly benefited from their population dividend in achieving rapid economic growth over the past few decades. However, the skill level

of the population in Brazil and India is still relatively low. For example, in India, only 2 per cent of the workforce have formally acquired skills (Maitra and Maitra 2018). Both China and India are in a paradoxical labour market situation in that, despite the rising level of education (China, for example, now producing annually over 8 million graduates with higher education qualifications), firms are suffering from severe skills shortages that constrain their ability to expand. Rapid growth and talent shortage and retention problems have forced many Chinese and Indian firms to recruit or even poach employees from the external market by offering attractive packages in addition to fostering their internal talent stock through innovative HRM practices that cater to the needs and expectations of a young workforce. In India, some leading companies are also linking up with universities to enable their employees to learn while they earn or to incentivize them to develop their digital skills. In Brazil, firm-specific skills training remains the main mechanism for human capital development that companies rely on. In contrast, the demographic crisis in the Russian Federation has accentuated the shortage of educated young workers and increased the value of employee retention.

As we were finalizing this volume for publication, the Chinese Government announced the launch of a three-child policy to combat population ageing and the declining birth rate (BBC News 2021). This announcement immediately sparked lively discussion on social media. Serious concerns were expressed about the possibility of gender discrimination in the labour market being exacerbated by the cost of hiring child-rearing women, all the more so since the adoption of a two-child policy in 2016 had led to blatant employer discrimination against young women during recruitment and selection (Cooke 2017; Zhang 2015).

7.2.4 Economic globalization

Brazil is highly competitive compared with neighbouring countries, but it is mainly competitive in regional terms, whereas China, India and the Russian Federation are globally competitive, and South Africa is highly competitive on the African continent and has a much bigger market than Brazil. The Brazilian economy is still relatively closed and inward oriented compared with the other BRICS countries (Brazil is the world's eighth-largest economy but only the 26th-largest exporter). Moreover, some 75 per cent of management vacancies in Brazilian firms are still filled internally instead of through external recruitment. Variations in the sources and levels of globalization in the national economies of the BRICS countries have both policy implications with regard to their pursuit of sustainable development and HRM implications at the firm level.

7.2.5 Emerging clusters of excellence

In each BRICS country, there are “clusters of excellence” characterized by good management practices, which have often been developed by leading firms in the relevant sectors. However, these good practices are not easily transferrable to other sectors or to differ-

ent societal contexts. In South Africa, the automotive industry displays some excellent human-centred HRM practices based on the joint efforts of institutional actors, whereas in China it is ICT firms that are more likely to adopt innovative and human-centred HRM practices as they seek to remain competitive by incentivizing and supporting their young and well-educated workforce. In the Russian Federation, there are emerging clusters with an “investment in people” agenda, some firms having the potential to serve as role models of effective HRM. Some firms in the Indian IT sector have employed professional psychologists and established help desks and dedicated helplines to support employees’ mental well-being.

7.2.6 Towards human-centred sustainable HRM?

At the firm level, managerial policies and practices are often disconnected from corporate strategic vision; they are in their own strategic dimension and tend to have a shorter planning horizon. In contrast, successful firms are those which are able to adopt a flexible and efficient approach to attracting, motivating and retaining their key employees. In China, India and the Russian Federation, material incentives play a significant role in talent and performance management, although benefits are less important in motivating employees at Russian firms. In South Africa, inequalities in the education system mean that there is an urgent need for education and skills training for the bulk of the workforce, particularly those in low-skilled jobs, to enhance their employability. While Indian and South African firms are still influenced in their HRM practices by these countries’ strong legacy of pluralistic industrial relations (despite a decline in union strength), Chinese firms are much less bound by an institutional environment of collective bargaining, though they may be subject to direct state intervention. In the Russian Federation, state intervention in HRM is also more likely to occur than in Brazil, India or South Africa (for example, through the imposition of standards or restrictions, or the provision of state support).

In South Africa, there are growing signs of a shift towards a human-centred HRM approach, as evidenced by the way in which personnel management and industrial relations are gradually ceding prominence to the principles of workplace equity and fairness – with a greater emphasis on racial equality than on gender equality because of the country’s political and historical context. On the whole, South African firms (indeed like those in the other BRICS countries to varying extents) are struggling with the adoption of human-centred HRM models. A notable exception is arguably the automotive industry, where it has been shown that high-performance work systems and human capital development practices can be introduced quite successfully in conjunction with collective bargaining. In other words, a human-centred approach to HRM can be adopted within a pluralistic workplace relations framework, instead of bypassing workers’ representation bodies such as trade unions.

Given the macroeconomic and human capital focus of the Brazil chapter in this volume, we have decided to refer here to a few studies conducted by other researchers to

illustrate the gap between current HRM practices in Brazil and sustainable HRM. For example, a study by Macini et al. (2020) of sustainable HRM in the banking industry – a sector that employs more highly educated employees than any other sector – revealed various levels of engagement across the dimensions of sustainable HRM, including justice and equality, transparent HRM practices, profitability and employee well-being. However, the companies studied appeared to be largely falling short of sustainability standards in all the HRM dimensions. Similarly, a comparative study by Braga et al. (2021) of HR practitioners' perception of, and role in, ethical HRM in Brazil, Colombia and the United Kingdom found that there was relatively low compliance with employment and business laws in Brazil and inconsistent application of them. As a result, Brazilian HR practitioners had limited scope for the promotion of ethical HR practices. A case study by de Sá et al. (2017) of employers' attitudes towards employing disabled professionals in the Brazilian hospitality sector found that hiring managers at the three hotels studied focused mainly on the type and severity of disability of the candidates and selected only those with lighter disabilities, rather than looking at whether they had the specific skills required to fill the position. This prompted the authors of that study to ask themselves whether the disabled employees in question really were being assimilated into the organization or whether they were merely being recruited to make the hotels look good in their diversity reports.

So what does it mean and what does it take for firms in the BRICS countries to embrace a human-centred approach to HRM? On the whole, there is limited evidence of a sustainability agenda informing HRM practices in the firms that were examined, even in those that have elements of human-centred HRM in place. A common challenge for firms in the BRICS countries is how to develop coherent HR policies and solutions to meet their business needs, on the one hand, and improve their employees' well-being, on the other. For multinationals operating in the BRICS countries, the HR challenges are likely to be even greater. Given the very specific national contexts in these countries, companies with establishments in two or more of them may need in each case to adapt their HRM systems and practices to reflect the local conditions. For example, a cross-country comparative study by Krzywdzinski (2017) of German-owned automobile plants in Germany, Brazil and China revealed different forms of employee involvement, underpinned by societal differences in the industrial relations system and organizational culture. The author found in particular that organizational culture had a strong influence on social involvement activities at both Brazilian and Chinese plants, where a collectivist societal culture prevailed. However, there were discernible differences between the two: "In Brazil, social involvement activities were developed to weaken authoritarian and paternalistic legacies, while in China they are part of paternalistic traditions" (Krzywdzinski 2017, 21). Those differences reflected the different functional logic behind employee involvement practices at the plants studied. Employee involvement at the Brazilian plant (and the German one) involved "compromises between managerial and trade union concepts", whereas at the Chinese plant, employee involvement was "strongly dominated by management goals", which were aimed not merely at promoting higher efficiency

but also at “providing opportunities to learn and recognition as well as strengthening the sense of belonging to the company” (Krzywdzinski 2017, 23).

The above summary and the examples discussed testify to the complexity of developing a human-centred sustainable HRM system within and across the BRICS countries. And there is still much more to be uncovered and learned.

7.3 Future research avenues in a post-COVID-19 world of work

We started work on this research project in December 2019, a few months before the onset of the COVID-19 crisis. At the end of 2019, it was already clear that the world at large, and the corporate world in particular, was facing major challenges – such as rapid developments in artificial intelligence and digital technologies, environmental degradation, the uneven pace of globalization, inequalities and migration – and that many HR policies and practices would have to be adjusted in order to address them. The COVID-19 pandemic not only has amplified those challenges, but has also created further challenges of its own.

The business world had always considered a pandemic as one possible scenario that companies needed to be prepared for. However, it tended to be viewed as highly unlikely, and that is why many companies were caught off guard when suddenly confronted with this challenge.

We do not yet know when and how this pandemic will come to an end, or reach a point where it can be successfully managed. The world one year from now could once again be very different. However, we can already discern some major implications of this crisis for many societies, industries, businesses and workers. Millions of office workers have had to work from home; there have been unprecedented changes in safety and health standards at the workplace; the work–family balance has been shaken up. Most importantly, we can already see how the crisis is prompting companies to go beyond immediate changes to the way that they organize and manage their work. Many of them are adopting survival strategies based on a complete rethinking of their business models.

Some of the implications of the COVID-19 crisis for business and, in particular, for the HR function have already been referred to in this volume. However, much more research is required. For example, we need to understand better how the crisis could help companies to recognize the importance of adopting a strategic-thinking approach, including the broad use of strategic foresight methods, to address all possible scenarios – even the unlikely and improbable ones – and to develop contingency plans that ensure more effective coordination between the various corporate functions in response to such situations. More ambitiously, we hope that this crisis will encourage further companies to move away from a focus on instant gains towards a more strategic approach involving the allocation of resources to something quite abstract that does not offer immediate tangible benefits. This applies not only to tackling the COVID-19 crisis, but also to all the challenges covered in this volume.

The lessons learned from the current crisis – particularly in relation to the HRM response – could potentially feed into a new research project aimed at helping companies to deal with possible future challenges of this magnitude, including natural disasters, wars, social unrest or another pandemic. We outline some future research avenues below by way of illustration.

- ▶ How will the pandemic and other trends accelerate changes in global value chains, the global industry structure, and production systems (for example, smart manufacturing and the deployment of industrial robots)? In that respect, how will they affect work organization and skill requirements? For example, robotization may lead to more effective use of production resources and contribute to the improvement of environmental conditions (since robots can work round the clock, with no need for lighting in the factory or transport for commuting, and managers do not need to deal with worker burnout or stress).
- ▶ How can human-centred HRM be part of sustainable HRM based on exploiting artificial intelligence and digital technologies to develop a more motivated and productive workforce through homeworking/teleworking and improved work–life balance and well-being? What is the role of the HR function (and of employee representatives) in facilitating the coordination and management of interpersonal relationships remotely from the workplace as working from home becomes a widespread practice?
- ▶ How should time management be redefined, and how will relevant new mechanisms be developed in the light of working-from-home and teleworking arrangements? How should performance management be redesigned to reflect such arrangements? How can managers and workers maintain their mutual trust?
- ▶ Will working from home and teleworking lead to the further expansion of gig work and “digital Taylorism” (that is, the use of precise algorithms to ensure tight performance control)? How can companies be encouraged to adopt an inclusive approach to artificial intelligence as part of their business ethics to reflect the diverse needs of the workforce?
- ▶ How can organizations change their management philosophy from a paradigm geared to *developing an engaged workforce* to one based on *managing an enlightened workforce* in response to demographic shifts and changing expectations among younger workers?
- ▶ Finally, the response to the COVID-19 crisis has seen the return of state intervention in many spheres, including employment and business support. In some countries, notably China, there is already strengthened state involvement (both financially and institutionally) in skills training as an alternative to employment. What measures have other countries been adopting, and what implications will these have for a human-centred agenda?

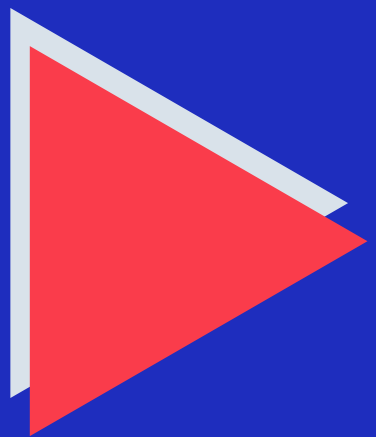
7.4 Concluding remarks

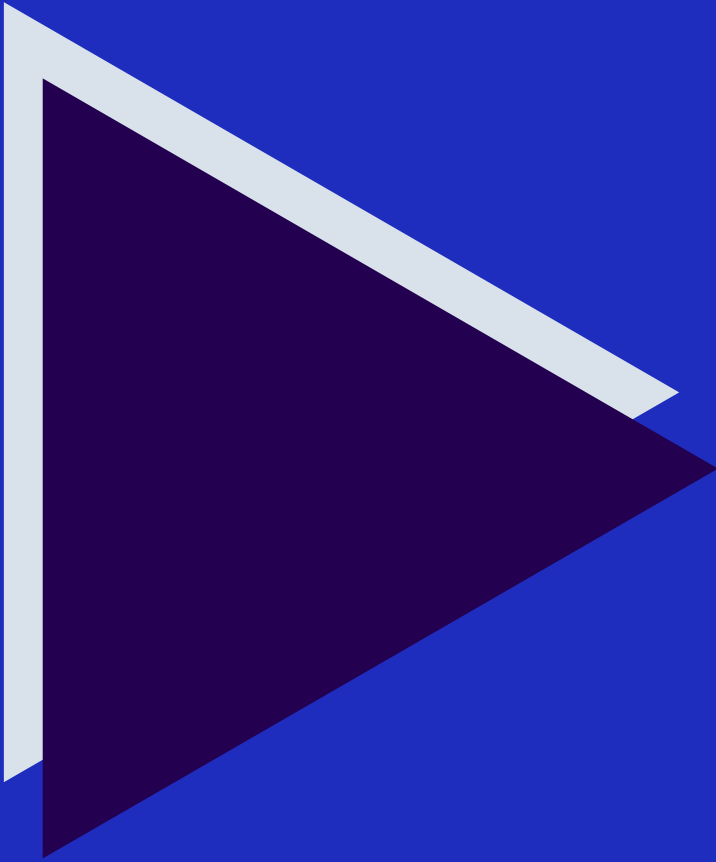
This book is but a first step towards understanding the complex effects of megatrends on HRM and how HRM practices are evolving accordingly in emerging economies, whose national contexts differ significantly from those of the Western countries that have traditionally been the focus of mainstream studies. It has been a challenging but highly rewarding task to connect high-level generalizations of megatrends with practical firm-level implications for HRM. There is still much research that needs to be done. In particular, it will be important to understand the implications of the megatrends for productivity and well-being in the context of the ILO's human-centred agenda, and to study further how HRM practices adopted in response to these megatrends may contribute to “high road” productivity growth at both the national and enterprise levels. This project has been successful thanks to the strong commitment of the research teams for each BRICS country. It is vital that similar collaborations continue to be undertaken in order to foster dialogue among the ILO, academics, policymakers and business organizations, improve their understanding of opportunities and challenges in specific countries and enable them together to create a better future for work.

► References

- BBC News. 2021. "China Allows Three Children in Major Policy Shift". 31 May 2021.
- Braga, Beatriz Maria, Eduardo de Camargo Oliva, Edson Keyso de Miranda Kubo, Steve McKenna, Julia Richardson, and Terry Wales. 2021. "An Institutional Approach to Ethical Human Resource Management Practice: Comparing Brazil, Colombia and the UK". *Journal of Business Ethics* 169: 57–76.
- Cooke, Fang Lee. 2017. "The Two-Child Policy in China: A Blessing or a Curse for the Employment of Female University Graduates?" In *Making Work More Equal: A New Labour Market Segmentation Approach*, edited by Damian Grimshaw, Colette Fagan, Gail Hebson and Isabel Tavora, 227–245. Manchester: Manchester University Press.
- de Sá, Maria Auxiliadora Diniz, Maria Ilma de Melo Oliveira, Sonia Maria Rodrigues Calado Dias, and Maria de Lourdes Azevedo Barbosa. 2017. "Human Resources Practices and Inclusion of People with Disabilities in the Hotel Industry of Belém, Brazil: A Multiple Case Study". *Revista de Gestão* 24 (1): 13–23.
- Krzywdzinski, Martin. 2017. "Accounting for Cross-Country Differences in Employee Involvement Practices: Comparative Case Studies in Germany, Brazil and China". *British Journal of Industrial Relations* 55 (2): 321–346.
- Macini, Nayelee, Marlon Fernandes Rodrigues Alves, Luciana Oranges Cezarino, Lara Bartocci Liboni, and Adriana Cristina Ferreira Caldana. 2020. "Beyond Money and Reputation: Sustainable HRM in Brazilian Banks". *Employee Relations*, 17 August 2020.
- Maitra, Saikat, and Srabani Maitra. 2018. "Producing the Aesthetic Self: An Analysis of Aesthetic Skill and Labour in the Organized Retail Industries in India". *Journal of South Asian Development* 13 (3): 337–357.
- Mallapaty, Smriti. 2020. "How China Could Be Carbon Neutral by Mid-Century". *Nature* 586: 482–483.
- McWilliams, Abigail, Deborah E. Rupp, Donald S. Siegel, Günter K. Stahl, and David A. Waldman, eds. 2019. *The Oxford Handbook of Corporate Social Responsibility: Psychological and Organizational Perspectives*. Oxford: Oxford University Press.
- Paulet, Renee, Peter Holland, and Damian Morgan. 2021. "A Meta-Review of 10 Years of Green Human Resource Management: Is Green HRM Headed towards a Roadblock or a Revitalisation?" *Asia Pacific Journal of Human Resources* 59 (2): 159–183.
- Ren, Shuang, and Susan E. Jackson. 2020. "HRM Institutional Entrepreneurship for Sustainable Business Organizations". *Human Resource Management Review* 30 (3).

- Ren, Shuang, Guiyao Tang, and Susan E. Jackson. 2018. "Green Human Resource Management Research in Emergence: A Review and Future Directions". *Asia Pacific Journal of Management* 35 (3): 769–803.
- . 2020. "Effects of Green HRM and CEO Ethical Leadership on Organizations' Environmental Performance". *International Journal of Manpower* 42 (6).
- Richards, James. 2020. "Putting Employees at the Centre of Sustainable HRM: A Review, Map and Research Agenda". *Employee Relations*, 1 February 2020.
- Stahl, Günter K., Chris J. Brewster, David G. Collings, and Aida Hajro. 2020. "Enhancing the Role of Human Resource Management in Corporate Sustainability and Social Responsibility: A Multi-stakeholder, Multidimensional Approach to HRM". *Human Resource Management Review* 30 (3).
- Zhang, Haiying. 2015. 全面“二孩”后, 尤需要保障妇女的就业权益。甘肃日报 [Following the full implementation of the two-child policy, it is even more necessary to safeguard women's employment rights]. *Gansu Daily*, 9 December 2015.





Annex:

Biographical information on the contributors

Editors

- ▶ **Nikolai Rogovsky** is Senior Economist at the ILO Research Department in Geneva. He previously held a number of senior technical, research and managerial positions at the ILO, including Head of the Knowledge Management Coordination Team from 2014 to 2019. Before joining the ILO in 1996, he was an associate professor of management at California State University. He also worked as a consultant for the Multinational Research Advisory Group at the Wharton School of the University of Pennsylvania. Nikolai has authored and edited a number of books and articles in the fields of human resources management (HRM), cross-cultural management and corporate social responsibility. He holds a PhD in management from the University of Pennsylvania.
- ▶ **Fang Lee Cooke** (PhD, University of Manchester) is Associate Dean (Graduate Research) and Distinguished Professor of Human Resource Management and Asia Studies at Monash Business School, Monash University, Australia. She is also a Fellow of the Academy of the Social Sciences in Australia. Previously, she was a full professor (from 2005) at Alliance Manchester Business School, University of Manchester. Her research interests are in the areas of employment relations, gender studies, diversity management, strategic HRM, knowledge management and innovation, outsourcing, Chinese outward foreign direct investment and HRM, the employment of Chinese migrants, and HRM in the care sector. Fang is the author of *HRM, Work and Employment in China* (London: Routledge, 2005), *Competition, Strategy and Management in China* (Basingstoke: Palgrave Macmillan, 2008) and *Human Resource Management in China: New Trends and Practices* (London: Routledge, 2012). She has also published over 100 journal articles and more than 60 book chapters. Fang's recent research projects cover the following topics among others: Chinese firms in Africa and their employment/HRM practices and labour relations; employee resilience, HRM practices and engagement in the finance sector in the Asian region; the evolution of industrial relations and implications for foreign firms in South Asia; organizational practices and management models in the care sector; HRM in the care sector, including healthcare, aged care and disability care; digitalization and its implications for skills, employment and HRM; and low-carbon growth and the future of work. Fang is a recipient of the Dean's Award for PRME (Principles of Responsible Management

Education) Research Excellence (2018) and the Dean's Award for Research Excellence (2011) from the Faculty of Business and Economics, Monash University. She was also a DAAD (German Academic Exchange Service) Visiting Professor at the University of Göttingen (2016).

Authors

- ▶ **Christine Bischoff** works as a researcher at the University of the Witwatersrand, Johannesburg. She holds a PhD in sociology from the University of Pretoria and has published widely in journals such as the *International Labour Review* and *Work and Occupations*. Her main areas of research are trade unions and employment relations.
- ▶ **Mariya Bobina**, PhD, Associate Professor of Management, Western Illinois University, and Adjunct Assistant Professor of Management and Entrepreneurship, Tippie College of Business, University of Iowa, specializes in business and management in emerging markets. She has received a Fulbright Scholar Award and conducted research at the Woodrow Wilson International Center for Scholars. Mariya is an associate member of the Center for East European and Russian/Eurasian Studies at the University of Chicago and was a country co-investigator in the Global Leadership and Organizational Behavior Effectiveness (GLOBE) study of 62 societies.
- ▶ **Nicolas Depetris Chauvin** is Associate Professor of Economics at the Geneva School of Business Administration. His previous appointments include senior adviser at the African Center for Economic Transformation; economist at the Centre for International Prospective Studies and Information, France; adviser to the Administrator of the United Nations Development Programme; associate professor of international economics at the University of Buenos Aires; Research Fellow at the Oxford Centre for the Analysis of Resource-Rich Economies, University of Oxford; Regional Manager for Latin America at the World Energy Council; and visiting professor at the Paris Institute of Political Studies (Sciences Po) and the European Institute of Business Administration (INSEAD). Nicolas is an international economist with extensive research and policy analysis experience covering Africa, Latin America and the Middle East. His current main area of research is the intersection of trade and development economics. He has published several articles and books on agricultural supply chains, food security, resource-rich economies, debt relief, emerging market economies and the economies of the Gulf and Africa. He holds a PhD in economics from Princeton University.
- ▶ **Roberto Córdón** pursued graduate studies in multinational management and political economy at the Wharton School of the University of Pennsylvania and undergraduate studies in chemical engineering and Latin American studies at Princeton University. He is currently Executive in Residence, International Management and International Relations at Franklin University Switzerland. Prior to that, Roberto taught at the Pontifical Catholic University of Chile, held visiting appointments at Fundação Dom Cabral (Brazil) and Francisco Marroquín University (Guatemala), worked for many

years as a manager of training programmes at the International Trade Centre in Geneva and acted as a consultant for various other United Nations agencies, including the ILO and the United Nations Conference on Trade and Development. His research has focused on the interface between politics and organizational management, particularly on the work of international organizations in developing countries.

- ▶ **Premilla D’Cruz**, PhD, is Professor of Organizational Behaviour at the Indian Institute of Management Ahmedabad, India. Her research interests include workplace bullying, emotions at work, self and identity at work, organizational control, and information and communications technologies and organizations. Premilla has published articles in peer-reviewed international journals such as *Journal of Business Ethics*, *Information and Organization*, *Personnel Review*, *International Journal of Human Resource Management* and *Economic and Industrial Democracy*. She is one of the editors-in-chief of the forthcoming *Handbooks of Workplace Bullying, Emotional Abuse and Harassment* (4 vols) (Springer). Premilla has been a visiting scholar at a number of leading European and Australian universities and has received several multilateral and bilateral research grants. She is a former president (2016–18) of the International Association on Workplace Bullying and Harassment. She is currently a section co-editor for labour relations and business ethics at the *Journal of Business Ethics*.
- ▶ **Mikhail Grachev**, PhD, Professor of Management, Western Illinois University, conducts research in international business and HRM and acts as a consultant to multinational companies. He was named Wharton Senior Research Scholar and Stanford Research Scholar and is an associate member of the Center for East European and Russian/Eurasian Studies at the University of Chicago. Mikhail was a country co-investigator in the GLOBE study of 62 societies.
- ▶ **Ernesto Noronha**, PhD, is Professor of Organizational Behaviour at the Indian Institute of Management Ahmedabad, India. His research interests include technology and work, employment relations and globalization, dignity at work, workplace bullying, and ethnicity in relation to the workplace. Ernesto has published articles in peer-reviewed international journals such as *Journal of Business Ethics*, *Industrial and Labor Relations Review*, *Journal of Contemporary Asia* and *International Journal of Human Resource Management*. He is one of the editors-in-chief of the forthcoming *Handbooks of Workplace Bullying, Emotional Abuse and Harassment* (4 vols) (Springer). Ernesto has been a visiting professor at the School of Industrial and Labor Relations, Cornell University, and at the Department of Sociology, University of Vienna, and a visiting scholar at the University of Strathclyde, the University of Portsmouth, the University of Bergen, the University of Hamburg, the University of Amsterdam, the University of Western Australia and the Rotterdam School of Management. He is currently a section co-editor for labour relations and business ethics at the *Journal of Business Ethics*.
- ▶ **Cristine Campos de Xavier Pinto** holds a PhD in economics from the University of California, Berkeley. She is Associate Professor of Economics at the Fundação Getúlio Vargas São Paulo School of Economics, and was previously a visiting professor at

the University of Michigan. She has published in various fields, including econometrics, the economics of education and development economics. Recently, she has been participating in research projects dealing with the measurement of cognitive and non-cognitive skills in Brazil, and the impact of early childhood interventions on the development of these skills. In addition, she has been studying how different policies could affect regional development in Brazil.

- ▶ **Vladimir Ponczek** is an associate professor at the Fundação Getúlio Vargas (FGV) São Paulo School of Economics. Vladimir previously worked as a researcher at the World Bank. He is a coordinator of the Lab for Evaluation, Analysis and Research in Learning (LEARN) at the FGV São Paulo School of Economics. He has published several articles on labour markets, informality, family economics, political economics and the economics of education. He holds a PhD in economics from Princeton University.
- ▶ **Geoffrey Wood** is Dancap Chair of Innovation and Head of the DAN Department of Management and Organizational Studies at Western University, Canada, and Visiting Professor at Trinity College Dublin. He previously served as Dean and Professor of International Business at Essex Business School and, before that, as Professor of International Business at Warwick Business School, United Kingdom. He has authored, co-authored or edited 18 books, and published over 180 articles in peer-reviewed journals. He has an *h*-index of 41 and an *i10*-index of 163. He holds honorary positions at Griffith University and Monash University, both in Australia. Geoff's research interests centre on the interactions between institutional setting, corporate governance, the financing of firms, and firm-level work and employment relations.

▶ **Towards a human-centred agenda:
Human resource management in the BRICS
countries in the face of global challenges**

This publication examines HRM policies and practices in five leading emerging economies, namely, Brazil, the Russian Federation, India, China and South Africa (BRICS) in the context of global challenges and a human-centred agenda promoted by the International Labour Organization (ILO).

International Labour Office
4, route des Morillons
CH-1211 Geneva 22, Switzerland

Nikolai Rogovsky
Senior Economist
Research Department
International Labour Office
rogovsky@ilo.org