
UNIT 15 PERSONNEL MANAGEMENT ISSUES IN PUBLIC ENTERPRISES

Objectives

The objectives of this unit are to :

- Describe the role of the Department of Public Enterprises in the Management of Public Enterprises;
- Explain Personnel Management Issues such as Recruitment, Wage Policy, Bilateral Agreements, Collective Bargaining, and Productivity-related aspects.

Structure

- 15.1 Introduction
- 15.2 Department of Public Enterprises:
Role in Management of Public Enterprises
- 15.3 Wage Policy
- 15.4 Voluntary Retirement Scheme (VRS)
- 15.5 Collective Bargaining
- 15.6 Summary
- 15.7 Self Assessment Questions
- 15.8 Reference and Further Reading

15.1 INTRODUCTION

Personnel Management issues in Public Enterprises are handled by various agencies depending on their importance. For instance, recruitment to higher appointments in PSEs such as those relating to appoint of CEOs/Board level functional Directors etc. are done through the Public Enterprises Selection Board. This Board also deals with promotions and confirmations up to certain higher levels of appointees. Lower level appointments/promotions are usually done at the CEO level with the aid of selection committees consisting of officials of the Board.

15.2 DEPARTMENT OF PUBLIC ENTERPRISES ROLE IN MANAGEMENT OF PUBLIC ENTERPRISES

In their 52nd Report, the Estimates Committee of 3rd Lok Sabha stressed the need for setting up a centralized coordinating unit which could also make continuous appraisal of the performance of public enterprises. This led to the setting up of the Bureau of Public Enterprises (BPE) in 1965. BPE was later constituted as an independent administrative unit within the Ministry of Finance, Department of Expenditure in 1969. As a result of the reorganization of the Ministries/Departments of the Central Government in September, 1985 BPE was made part of Ministry of Industry. In May, 1990, BPE was conferred the status of a full-fledged Department and is now known as the Department of Public Enterprises (DPE) in the Ministry of Heavy Industries and Public Enterprises.

The Department of Public Enterprises acts as a nodal agency for all central PSEs and assists in policy formulation pertaining to the role of PSEs in the economy as also

Organisation and Management

in laying down policy guidelines on performance improvement and evaluation, financial accounting, personnel management and related areas. It also collects, evaluates and maintains information on several areas in respect of PSEs. DPE also provides an interface between the administrative Ministries and the PSEs. In fulfilling its role, it associates itself with other Ministries and organizations as also premier management institutes in the country.

Role and Tasks

The important role and tasks of the Department of Public Enterprises are listed below:

- i) General policy relating to public sector.
- ii) Matters relating to issue of Presidential Directives and guidelines to Public Sector Enterprises.
- iii) Formulation of Policy guidelines pertaining to Public Sector Enterprises in areas like performance improvement and evaluation, financial management, personnel management, board structures, wage settlement, training, industrial relations, vigilance, performance appraisal etc.
- iv) Matters relating to reservation of posts in the Public Sector Enterprises for certain classes of citizens.
- v) All matters relating to Memorandum of Understanding between the Public Sector Enterprises and the administrative Ministries/Departments.
- vi) Matters relating to delegation of powers to Board of Directors.
- vii) To undertake in-depth studies in respect of significant areas of functioning of Central PSEs.
- viii) Matters relating to International Centre for Promotion of Enterprises (ICPE).
- ix) Matters relating to Standing Conference of Public Enterprises (SCOPE).
- x) To monitor and evaluate the performance of PSEs and to act as a repository of data and to bring out an annual survey for the Parliament.
- xi) Settlement of disputes among Public Sector Enterprises and between Public Sector Enterprises and government departments except disputes relating to tax matters.
- xii) Advice on establishing new Centrally sponsored enterprises including their capital and organizational structure and memorandum and articles of association.
- xiii) All policy matters relating to composition of Board of Directors of PSEs, categorization of top posts, scheduling of PSEs and notification of revised pay scales and DA admissible thereon at periodical intervals.
- xiv) Notify revised scale of pay for Board level executives and the DA admissible thereon at periodical intervals.
- xv) Co-ordination of training programmes for managerial personnel in Public Sector Enterprise.
- xvi) Policy relating to deputation of Government officers to Public Sector Enterprises.
- xvii) Provide information to Committees appointed by the Government to examine any aspect relating to Public Sector Enterprises.
- xviii) Monitoring of performance of Sick Public Sector Enterprises and preparing note for PMO and Cabinet Secretariat authorizing latest development regarding Public Sector Enterprises referred to BIFR.
- xix) Examination of proposals on restructuring, joint ventures, issue of fresh capital etc. of PSEs received from Ministries/Departments.

- xx) Matters relating to counseling, retraining and redeployment of rationalized employees of CPSEs.
- xxi) Annual review of the performance of CPSEs and bringing out Public Enterprises Survey.

Organisational Structure

DPE is under the charge of the Minister for Heavy Industries and Public Enterprises. The Department is headed by a Secretary who is assisted by an establishment with an overall sanctioned strength of 121 personnel.

This Department has five Divisions, viz. the Financial Policy Division, the Management Policy Division, the MOU Division, the Administration and Co-ordination Division and the Permanent Machinery of Arbitration. Financial Policy Division Comprises of the Public Enterprises Survey Unit, the Policy Planning Unit, Counselling, Retraining and Re-deployment Unit and the Wage Policy Unit.

Policy Regarding Wage Settlements

The Department of Public Enterprise functions as a nodal agency for evolution of policy relating to wage settlements of unionized employees/pay revision of non-unionized supervisors and executives holding posts below the Board level as well as the Board level. The Department provides clarifications and render advice to the administrative Ministries/Departments and the PSEs in matters relating to the wage policy and revision in the scales of pay of the executives.

Government have given complete freedom to the management of PSEs to negotiate revisions of the scales for the unionized staff within certain stipulated conditions. The 6th Round of Wage Negotiation was to be entered between managements and the workers unions which was to come to effect from 1.1.1997. The Government orders were issued on 14.1.1999 and 26.7.2000 to this effect.

Personnel Policy Unit

The important tasks of Personal Policy Unit are Formulation of policy guidelines on personnel matters, Board structure, categorization of PSEs, vigilance and performance appraisal. It deals with professionalisation of Board of Directors and selection of non-official Directors on the Board of PSUs.

Department of Public Enterprises advises the administrative Ministries on the composition of the Board of Director of PSEs. The public enterprises are divided in four Schedules, namely 'A', 'B', 'C', 'D' based on criteria such as investment, capital employed, turnover, profit, number of employees etc. The pay scales of the incumbents of the posts of Chief Executives and fulltime functional directors in the PSEs are determined as per the schedule of the enterprise concerned. As on 31.3.2002, there were 51 Schedule 'A', 88 Schedule 'B', 63 Schedule 'C' and 10 Schedule 'D' Enterprises.

Creation of Posts/Appointments

Categorization, upgradation and creation of new posts at Board level as also appointment of part-time non-official directors on the Board of PSEs are done by the administrative Ministries/Departments in consultation with DPE. During the year 2001-02, DPE examined 72 proposals relating to categorization, upgradation, grant of higher scales of pay on personal basis, creation of new posts and appointment of non-official part-time Directors. As a result 6 companies were categorized in the appropriate schedules (1 Schedule 'A', 3 Schedule 'B' and 2 Schedule 'C'), 6 posts of Chief Executives and 18 posts of functional Directors created and personnel upgradation granted to Chief Executives of 2 PSEs. Further, 9 PSEs were upgraded to the next higher schedule. Names of 40 persons have been recommended for

appointment as non-official part time Directors on the Boards of various PSEs. As regards Navratna and Miniratna PSEs, non-official Directors are selected by the Search Committee. The Search Committee held five meetings during 2001-02 and made selections for 20 Navratna/Miniratna PSEs.

Vigilance

Department of Public Enterprises also deals with vigilance management in Public Sector Undertaking by issuing necessary guidelines, as a part of an on going exercise of strengthening vigilance machinery in public sector to tackle corruption and make functioning of investigation and vigilance agencies more independent, effective and credible. A model vigilance set up for PSEs has been drawn up and circulated for the guidelines of the public enterprises.

Guidelines

The DPE also undertakes periodical review of guidelines issued by erstwhile Bureau of Public Enterprises/Department of Public Enterprises to the public sector enterprises from time to time. A compilation of 196 BPE/DPE guidelines retained after a review by Vittal Committee has been issued in a booklet form titled "Guidelines for administrative Ministries/Departments and Public Sector Enterprises Volume-I". The guidelines issued subsequently were compiled and issued as Volume-II of this publication in September, 2000. A Committee has been set up to review all the existing guidelines and its report has been received.

15.3 WAGE POLICY

Government have given complete freedom to the management of PSUs to negotiate revision of pay scales within certain stipulated conditions for the unionized staff. The 6th round of Wage Negotiation was to be entered between management and the workers union which was to effect from 1.1.97. Government orders were issued on 14.1.99 and 26.7.2000 to this effect.

The Public Sector Enterprises are having two groups of employees. One group of employees are following the Central DA pattern (CDA) pay scales while the other group of employees are following IDA pattern of pay scales.

For the CDA pattern pay employees, their pay scales are governed by the recommendations of the Central Pay Commission and Government decision thereon as in the case of the Government employees. The benefits allowed to Government employees are also extended to them as per the Supreme Court directions.

IDA Pattern and Related Scales of Pay in PSEs

Government policy relating to pay scales and pay pattern is that all employees of the PSEs should be on IDA pattern related scales of pay. Instructions had been issued by the DPE in July, 1981 and July, 1984 to all the administrative Ministries that as and when a new PSE is created or established, IDA pattern and related scales of pay should be adopted *ab-initio*. There are 250 PSEs (excluding Banks, Insurance Companies and Financial Institutions) under the administrative control of the Central Government. They employ nearly 18 lakhs workers, clerical staff and executives. Out of this, 97% of the workers and executives are on IDA pattern and related scales of pay. There are 69 PSEs which are still having employees on CDA pattern pay scales. Even in respect of the PSEs which, due to historical reasons, have continued to follow-CDA pattern, attempts have been made to rationalize their scale of pay and allowances on IDA pattern and guidelines to this effect were issued in 1990.

CDA Pattern in 69 PSEs

CDA pattern pay scales are applicable to clerical staff, unionized cadres and executives of the 69 PSEs who were on the rolls of these companies as on 1.1.1986 and upto 31.12.1988 and were in receipt of CDA pattern pay scales during that time. A High Power Pay Committee (HPPC) was appointed by the Government in pursuance of the Supreme Court directions dated 12.3.1986 which submitted its Report to the Government on 24.11.1988. Its recommendations have been implemented in these PSEs. In pursuance of the Hon'ble Supreme Court direction dated 3.5.1990 read with the subsequent direction dated 28.8.1991, IDA pattern and related scales of pay have been introduced in these PSEs with effect from 1.1.1989, but some employees are still continuing with CDA pattern pay scales in these PSEs.

Wage Negotiation

Complete autonomy in the managements of PSEs to negotiate pay scales for the unionized staff within certain stipulated conditions have been allowed by the Government. The latest wage negotiation was to be entered between managements and the workers' union which was to come to effect from 1.1.1997. The Government orders were issued on 14.1.1999 and 26.7.2000 to this effect. Some PSEs have already implemented the negotiated wage settlement, while some are in the process of doing so. There are now two groups of employees in public enterprises. The first group of employees are following the Central DA pattern (CDA) pay scales while the second group of employees are following IDA pattern of pay scales. For the employees following CDA pattern pay, their pay scales are governed by the recommendations of the Central Pay Commission and Government decisions thereon for the Government employees. The benefits allowed to Government employees are also extended to them as per the Supreme Court directions.

Pay Revision for Executives

The last pay revision for the IDA employees was done w.e.f. 1.1.97 for a period of ten years based on the recommendations of Justice Mohan Committee as per OM dated 25.6.99. In regard to the unionized employees covered by the IDA pattern pay scales in the Central Public Enterprises, the Government has decided to allow them the option to opt for either:

- i) A ten year periodicity of pay revision with 100% neutralization of DA as set out in the guidelines issued on 14.1.99.
- ii) A five year periodicity on the basis of graded neutralization as existed previously i.e. from 1.1.1992 to 31.12.1996.

As per the recommendations of High Power Pay Committee, the CDA pattern following employees of the Central Public Sector Enterprises would get pay revision only as and when similar changes are effected for the Central Government employees.

15.4 VOLUNTARY RETIREMENT SCHEME (VRS)

In the present market scenario, in view of the ongoing restructuring in the industries including Central PSUs, several measures for reforms and restructuring of PSEs have been taken up by Government. Right sizing of manpower in the CPSUs is one of the measures adopted. Restructuring of manpower may lead to redundancy. It is in this context, it has been the constant endeavour of the Government to safeguard the interest of the employees involved in Central PSUs.

In the process, the Voluntary Retirement Scheme, Which was initially announced in October, 1988 for the first time was further liberalized and a comprehensive package

was notified vide DPE's O.M. dated 5th May, 2000 so as to cater to the need of the CPSUs to meet their objectives and also to protect the interest of the workers affected due to various modes of restructuring.

Considering the difficulties faced by the enterprises where the wage revision effective from 1st January, 1992 or 1997, as the case may be, could not be effected thereby leading to hardships of the employees involved in these enterprises, the Voluntary Retirement Scheme was further modified by issuance of subsequent notification of 6th November, 2001, which *inter-alia* provides for 100% additional compensation for employees where the wage revision of 1997 could not be effected and similarly 50% additional compensation for employees where the wage revision of 1997 could not be made effective. These increases in VR compensation are to be computed based on the existing pay of the employees.

The liberalizations in the compensation package would help the sick and loss making enterprises in downsizing their manpower.

From the introduction of the Voluntary Retirement Scheme initially from October, 1988 till March, 2001, 3.69 lakh employees have been released under VRS. Subsequently, as reported by 92 CPSEs so far for 2001-02, the number of employees released under VRS has gone up to around 4.00 lakh (0.31 lakh during 2001-02).

VRS in Profit Making PSEs

Hereafter profit making public sector enterprises who have to reduce their workforce in order to remain competitive may frame their own schemes of VRS and make it attractive enough for employees to opt for it. They may offer as compensation upto 60 days salary or every completed year of service. However, such compensation will not exceed the salary for the balance period of service left.

VRS in Marginally Profit or Loss Making PSEs

Marginally profit making or loss making PSEs have been permitted to introduce an improved VRS scheme based on Gujarat model. Under this model an employee will receive compensation as:

- i) 35 days salary for each completed year of service; and
- ii) 25 days per year of service for the balance of service until superannuation subject to some conditions.

The other option available to the employees is known as Voluntary Separation Scheme (VSS) already approved by the Government in respect of units under the Department of Heavy Industry.

The VRS optees can opt for either of the schemes.

15.5 COLLECTIVE BARGAINING

Collective Bargaining is an important tool of negotiation between workers and owners/managers in the industrial sector. This is an important instrument in the hands of both labour and management to avert needless stoppage of work fulfilling of legitimate aspirations of labour and expectations of managers.

Origin of Collective Bargaining

Sidney James Webb and his wife Beatrice, eminent English economists and sociologists, are credited with first coining the term 'collective bargaining' as an antonym to the term 'individual bargaining', the phrase they found in use first in their book on the cooperative movement in the course of their extensive researches they carried out into the history of British Labour Unionism (Sidney and Beatrice Webb (1920). Industrial Democracy, London: Longman, Green and Co).

- i) **U.S.A.:** Studies into the past history of labour movements in some of the industrialized countries of the West, particularly the U.S.A. and U.K. reveal that collective bargaining came into vogue with the growth and development of trade unions in those countries. Early labour movement in the U.S.A. and other industrialized countries encountered difficulties in formation and development of trade unions, owing to the reluctance of employers to recognize the existence of such unions. The American Revolution gave impetus to the formation of trade unions and the earliest case of “collective bargaining” dates back to the 1790s. However, collective bargaining came to get legal recognition only with the passing of the National Industrial Recovery Act 1933, which guaranteed to labour, the right to bargain through representatives of its choosing. This right was reiterated by the National Labour Relations Act, also known as the Wagner Act, in 1935. These Government Laws encouraged collective bargaining. The Wagner Act was later amended by the Labour Management Relations Act, popularly known as the Taft Hartley Act, 1947. This Act considerably strengthened the collective bargaining in the country.
- ii) **The U.K.:** In the U.K., by the end of the nineteenth century, collective bargaining had become an established practice but it was confined only to certain specified kinds of employment. Trade unions continuously struggled for recognition and extended their power and social influence with the result that healthy relations developed between employers and workers’ organizations on a voluntary basis. Since 1870s, collective bargaining came to be recognized by the Government as the normal practice of settling wages and working conditions between employers and workers’ organizations in Britain. The British Government has accepted and applied the principles of collective bargaining in the matter of wages, salaries and service conditions etc. in public employment also.
- iii) **India:** The importance of harmonious relations between the employers and employees was realized as early as Vedic times and the practice of collective bargaining existed in some form or the other since ancient times in India. During the British rule, industrial relations followed the ‘*Laissez Faire*’ policy and no encouragement was given to formation of labour unions. Till the middle of the eighteenth century, there was not much of industrial activity in the country. It was only between 1850-1860 that industrial development started in India with the establishment of some Jute and Cotton Mills and railway lines were laid through the country. The earliest instance of collective bargaining was that of a textile mill in Ahmedabad. Industrial disputes, mainly in the textile industry, came to be settled through mutual negotiations and voluntary arbitration. This paved the way for collective bargaining. With the attainment of Independence, the Government of India enacted the Industrial Disputes Act of 1947, which encouraged the orderly development of trade unions. This helped in the development of collective bargaining in the country.

Definition

The Encyclopedia Britannica (*Encyclopedia Britannica, 14th edition, Vol.12. p.299.*) defines collective bargaining in the following words: “In its widest sense, collective bargaining is negotiation between the employer or group of employers and a group of work people to reach agreement on working conditions. If negotiations are between an employer and a group of his own work people, the dependence of the work people on the employer for their jobs weakens their bargaining powers, and therefore collective bargaining is more usually understood to be negotiations between one or more trade unions and an employer or a group of Associations or employers.

Trade Unions organization gives the work people greater strength to providing means for the expert presentation of demands by skilled officials not dependent on the employers for their jobs. Further, a union has funds and means of obtaining information outside any one undertaking and can secure for the work people at any one firm the support of their followers in other firms.” The Encyclopedia Americana (*The Encyclopedia Americana, Vol.1, p. 502-1*) defines collective bargaining as follows: “Industrial history shows that collective bargaining is the method by which the progress is made in industrial relations. Collective bargaining is a procedure based upon the principle that those concerned with decisions should have a voice in their making.”

Some Characteristic Features

- 1) **Group Action:** As the term collective bargaining itself signifies, essentially is a group action instead of an unilateral or individual action. It has achieved a distinctive position in an industrial society where capital and labour have organized themselves into groups with the objective of fighting their disputes and settling them with a firm belief and relying on the principle that union is strength.
- 2) **Flexibility, Fluidity and Mobility:** Flexible attitude of both the management and union is an essential pre-requisite for the success of collective bargaining. In the course of negotiations, both the parties have to adopt the ‘give and take’ policy to avoid any abrupt deadlock in negotiations. Either or both the parties may move from position to position as they try to stress their case.
- 3) **Bilateral Process:** Collective Bargaining involves two parties for arriving at commonly agreed solutions
- 4) **Continuous Process:** Collective Bargaining is a continuing relationship between management and the union of which the signed agreement is only the beginning. It establishes sound employer-employee relationship.

Objectives

The main objectives of collective bargaining are fostering of amity, cooperation and goodwill between employers and employees and achievement of harmonious relations between them. Other objectives include ensuring that no party tries to outwit the other but rather to negotiate agreements which will be in the mutual interests of the employers and employees.

Extent and Scope

Collective Bargaining in India has made little progress due to multiplicity of unions with different political affiliations and existence of inter union rivalry. Managements feel hesitant to negotiate and enter into agreement with a particular union, since there is always the risk that the agreement may not be complied with by members not belonging to that union, and hence are not party to that agreement. Sometimes, the attitude of some managements towards non-recognition of the unions and their lack of bargaining spirit has also contributed to poor progress in collective bargaining.

Another reason for the poor progress of Collective Bargaining in India is Government intervention. The Government has, no doubt, encouraged collective bargaining but has added provisions relating to adjudication and compulsory arbitration in case negotiations fail. Government’s standing orders stand in the wake of items subject to bargain, though these orders only prescribed the minimum and they can be exceeded by the union, provided the union is strong and has a good hold as a bargaining power. Except the textile industry, where the agreements are reached industry-wide,

generally agreements in case of other industrial undertakings are concluded undertaking wise. Collective Bargaining agreements may vary depending upon whether it is regarding as a single unit or a single company or it covers all workers of a certain type in a particular area or workers in an industry through out the country.

Collective Bargaining is applied to finding solutions not merely pertaining to wages, hours of employment, allowances, bonus, security of service other terms and conditions of employment but this has also been applied to other working conditions such as seniority, promotions, transfers, lay-offs, vacations and handling or grievances. However, collective bargaining cannot find solutions for all the issues related to labour market and work process, and other economic and social problems connected with best it provides a procedure which helps issues and problems to be identified, handled and solved.

When negotiations are in progress there is always the possibility of a dead-lock. At any stage either of the parties or both of them not agreeing to the settlement of an issue or issues may abruptly choose to close the negotiations. This is called dead-lock of negotiations.

Activity

Specify the role of the Department of Public Enterprises in the Management of Public Enterprises? Do you think it is too much or too little ? If so, why ?

.....
.....
.....
.....

15.6 SUMMARY

Department of Public Enterprise plays an important role in the management of public enterprise. Here, we have discussed the role of DPE in manaing PE keeping in mind the organisational structure and various policies related to the management of PEs.

Moving further, different personnel management issues like wage policy, VRS, collective bargaining have been discussed to give a fair view regarding the importance of personnel management in Public Enterprises.

15.7 SELF ASSESSMENT QUESTIONS

1. What is the Government’s Policy regarding wage revision in public enterprises?
2. Trace the origin of Collective Bargaining in industry and its relevance to Indian conditions.

15.8 REFERENCE AND FURTHER READING

Aggarwala, Dharam Vir. (1982) : *Industrial Relations and Collective Bargaining* – Deep and Deep Publications.

UNIT 16 PROJECT MANAGEMENT

Objectives

After going through this unit you should be able to:

- Know the concept of project management;
- Understand the project planning concept;
- Understand the implementation and the evaluation aspect of project management.

Structure

- 16.1 Introduction
- 16.2 Project Management : Concept
- 16.3 Project Identification
- 16.4 Project Planning
- 16.5 Techniques of Project Management
- 16.6 Project Implementation
- 16.7 Project Evaluation
- 16.8 Summary
- 16.9 Self Assessment Questions
- 16.10 References and Further Readings

16.1 INTRODUCTION

Post 1990s saw a great change in the economy of the nation. To improve the socio-economic conditions in the country, large amounts of money in different projects have been invested. Usually the projects are designed in such a manner so as to earn adequate returns for the future development. But in most of the cases it is seen that projects take longer time than estimated, and returns are less than expected. This may be due to inadequate planning. Therefore, it becomes necessary to have scientific and systematic management in project planning, development and implementation (*Gopala Krishnan et al, 1996*)

Project Management plays an important role and only in the past few years it has emerged as a separate discipline. In this highly competitive world, the need to understand the concept has been growing considerably. When we talk about public enterprise, this issue becomes more important because when PEs come up with any new project, they invest the money of public with the aim of having higher returns. A proper management of project surely will increase the returns, but if the project fails, the money of the public is lost. Therefore, it becomes all the more necessary to understand the concept of project management.

In this unit we are going to discuss different aspects concerning project management.

16.2 PROJECT MANAGEMENT: CONCEPT

Think of a massive project like the Golden quadrangle project of building national highways across the country. Looking at its dimensions, the project has been completed to large extent in a short span of time. This shows that the project has succeeded. Now the question arises, why do some projects succeed and the others