Indian Streams Research Journal
ISSN 2230-7850
Impact Factor : 3.1560(UIF)
Volume-4 | Issue-12 | Jan-2015
Available online at www.lbp.world

# PUBLIC SECTOR ENTERPRISES AS MODEL EMPLOYERS

**Mihir Kumar Jha**
**Research Scholar , Commerce , L.N. Mithila University, Darbhanga.**

**ABSTRACT:**

*The New Policy on Public Sector stipulates a "strong and effective public Sector whose social objectives are met by its commercial functioning, Endeavour is to modernized and restructure sick CPSEs and revive sick industry. The chronically loss making CPSEs may be closed down or sold off, after all the employee are paid their legitimate dues. The problem of sickness in CPSEs is addressed by the administrative Ministries/Departments in the Government by evolving appropriate need based strategy concerning a particular CPSE. This paper focuses on public sector enterprises role as an employer.*

**KEYWORDS:** *CPSEs, Model Employer, Public Sector Enterprises, Sick Industrial Companies Act*

## INTRODUCTION :

The Central Public Sector Enterprises (CPSEs) were classified into 'strategic' CPSEs were identified in the areas of (a) Arms & Ammunition and the allied items defense equipments, Defense air-crafts and warships:

Atomic Energy (except in the areas related to the operation of nuclear power and applications of radiations and radio – isotopes to agriculture, medicine and non – strategic industries); and (c) Railway transport. All other CPSEs were considered as non – strategic. Further, Industrial licensing by the Central Government has been almost abolished except for a few hazardous and environmentally sensitive industries. Over the years, operations of CPSEs have extended to a wide range of activities in the manufacturing, engineering, steel, heavy machinery, machine tools, fertilizers, drugs, textiles,. Pharmaceuticals, petro-chemicals, extraction and refining of crude oil and services such as telecommunication, trading, tourism, warehousing, etc. and a range of consultancy services. In 2016-17, there were 247 Central Public Sector Enterprises in India, as compared to 236 in 1997-98.

Some of the strategies for restructuring revival of CPSEs including sick units on long – term basis include:

- Revival through the process of BIFR;
- Financial restructuring;
- Formation of joint venture by induction of partners capable of providing technical, financial and marketing input; and
- Organizational restructuring and manpower rationalization through approved Voluntary Retirement Scheme (VRS)

In order to combat industrial sickness particularly with regard to the crucial sector, where public money is locked up and for timely detection of sick and potentially sick industrial companies, Sick Industrial Companies Act (SICA) was extended to public enterprises in 193; enabling sick public sector enterprises to be referred to a quasi judicial boy – Board for Industrial & Financial Reconstruction (BIFR).,to take appropriate measures for revival and rehabilitation of potentially sick industrial undertakings and for liquidation of non – viable companies.

**Sick Industrial Companies Act (SICA)**

Under the Sick Industrial Companies Act (SICA), 1985, A company is termed sick if at the end of any financial year, it has accumulated losses equal to or exceeding its entire net worth. Such industrial company is required to be referred to BIFR for formulation of rehabilitation/revival plan. Government set up a Board for Reconstruction of Public Sector Enterprises (BRPSE) in December, 2004 to advise the Government inter- alia on the measures to be taken to restructure/revive CPSEs, including cases where disinvestments or closure or sale are justified. The concerned administrative Ministries are required to refer the proposals of their CPSEs identified as 'sick' for consideration of the BRPSE.

**Human Resource Management and Personnel Policy in Public Sector:**

Effective utilization of Human Resources is one of the most important factors for the efficient and profitable functioning of an organization. It has special significance in the management of public sector enterprises. CPESEs employ a large workforce in different disciplines and the successful operation of these enterprises very much depends on the skills and capabilities of the workforce. Out of around 16 lakh are in the supervisory and manpower (as on 31.03.07) deployed presently in CPSEs, about 3.65 lakh are in the supervisory and managerial cadres which represent about 22.12% of total manpower. In 2015-16, the aggregate amount paid towards salaries & wages and other benefits including Bonus was to the tune of Rs. 45,625 crores; and the cost of production was Rs.7, 35,964 crores. Accordingly, the average of payment to employees as percentage of Cost of production is around 6.2% out of which the lowest percentage is of petroleum group i.e. 1.28% and the highest percentage is of Coal and Lignite group i.e. 39.91.

The number of employees during the period has reduced from 19.59 lakhs in 1997-98 to 16.14 lakhs in 2016-17, which is a reduction of 17.61%. On the other hand, the total emoluments have increased from Rs.25, 385 crores in 1997-98 to Rs. 52,574 crores in 2016-17, which is an increase of 107% Similarly, the per capita emoluments have increased from Rs.1,29,582 in 1997-98 to Rs.3,25,738 in 2016-17, which is an increase of 151% . the Emoluments as percentage of Turnover has decreased from 9.19% in 1997-98 to 5.45% in 2016-17.

**Categorization of PSUs**

The public enterprises are categorized into four Schedules namely 'A', 'B', 'C' and 'D', based on various quantitative, qualitative and other factors. The quantitative factors are: investment, capital employed, net sales, profit before tax, number of employees, number of units and value added per employee. Qualitative factors are: national importance, complexities of problems, level of technology, prospects for expansion and diversification of activates and competition from other sectors, etc. whiles the other factors relates to the strategic importance of the corporation. The pay scales of Chief Executives and full time Functional Directors in CPSEs are determined as per the schedule of the concerned enterprise. As on 31.3.2007, there were 247 CPSEs. Out of 247 there are 54 Schedule 'A', 77 Schedule 'B', 48 Schedule 'C' and 06 Schedule 'D' enterprises. The rest have not been categorized.

**Table-1 Categorization of PSUs**

| Category | No. of PSUs as on 30.5.2012 |
|---|---|
| Navratna | 16 |
| Miniratana, Category I | 41 |
| Miniratana, Category II | 13 |
| Profit making | 156 |
| Loss making | 59 |
| Listed Companies | 45 |
| Non – listed Companies | 202 |
| Section 25 & Under Construction | 32 |

**HUMAN RESOURCES PERSPECTIVE**

Human Resources (HR) is one of the most complex and challenging fields of management, as it deals with the people dimension in business management. The biggest challenge now being faced by CEOs is HR as it plays a strategic role in the growth of an organization and thereby maximizing return on investment. The HR management's role is required to be perceived as business strategic partner in the organization working as well as contributor to organization's strategy. Strategic Hr practices help the organization in achieving long – term and short-term goals through optimum utilization of human resources. This involves the development of human resources objectives, which are in alignment with the enterprise objectives. Thus, there is a new agenda in the role of HR and it has t come out from its traditional role of managing HR alone. Pay – for – Performance philosophy has become an emerging HR trend, which increases organizational effectiveness by aligning employee effort to the organizational mission. The rating of accomplishment of individual, team or business groups and having distinct differences in performance incentives between good performers and non-performer send clear messages to the workforce that deliverance of results affects everyone in the organization. The changes in industrial scenario have sent clear signals to the public sector to revisit their Human Resources (HR) Management practices and formulate HR strategies with focus on profitability on long-term basis. To achieve this, the thrust has to be on competitive HR policies & practices. HRM should now focus to build enterprises that change, learn, move and act faster than those of its competitors; and it is time to build competitive and not merely comfortable public sector enterprises. HRM of public sector enterprises is also required to keep pace with the changing legal and governmental regulations.

Human resources play an important role in development of businesses and is the main differentiator of excelling companies from other companies. In view of the growth in business, expanding market, high demand by consumers and change in technology, the biggest challenge being faced during the last decade by companies has been the need to meet their requirement for talented people. The rush for hiring of people is being seen in all the sectors such as IT & IT enabled services, infrastructure, engineering, banking, airline, hospitality, biotech, medical, retail, etc. The demand –supply equation for talented professionals is heavily skewed in favour of the former; and as a result both attraction and retention have emerged as major challenges for HR professionals. The problem is not only limited within the country but it has become a global phenomenon, and even the MNCs and global recruitment firms are hiring people from India to meet their demands. However, in recent times, one can also see that the trend is gradually reversing and now expatriates are being assigned to or hired for Indian operations, and even a lot of expatriate Indians working abroad are coming back because India has now a lot to offer. The future outlook confirms that global nomad employees, who move from country to country on varying assignments, will become a common feature.

In public sector, HR practices and its management have a long way to go in order to achieve professional and competitive HR standards. There is lot to be done by HR in terms of identifying & nurturing talent; creating a performance-driven culture; and bringing about changes in the mindsets of employees at all levels so that all of them aim at providing value to customers. Multiple roles are, thus, required to be played by HR professionals such as business strategic partners, the change agents, the consultants, the service-providers, etc.

## PUBLIC SECTOR ENTERPRISES AS MODEL EMPLOYERS

The public sector enterprises have always been considered as model employers'. They used to recruit the brightest people in a very fair selection process and generally through open competition. The jobs in public sector always used to be the most preferred, by educated middle-class, and the talent was generally given its due respect in the public sector. However, the situation has changed in the last 10 years. Earlier there was little opportunity available for professionals to migrate from one organization to another, but during the last decade ample opportunities have been opened up for them to leave the organization. To add to this, the demand for talent is not confined to any particular sector of industry but the professionals are moving across sectors. As a result, public sector is under huge pressure in terms of attracting and retaining talent.

The phenomenon of globalization has spawned intense competition in the international and national markets making the position of the public sector untenable. In this scenario, the present study looks at the performance of the sector with emphasis on the key factors that sustain the public sector undertakings. Importance that managements of public enterprises may have to ensure healthy industrial environment and cordial industrial relations. It is therefore, necessary to ensure that a broad policy frame work is laid down and settle matters pertaining to industrial relations across the table through discussions and dialogue rather than through show of trade union strength and power of the management. The term industrial relations comprises industry and relations. Industry means and productive activity in which an individual is engaged and relations mean the relations that exist in the industry between the employer and his workmen. The term industrial relations may be defined as the relations and interactions in the industry particularly between the labour and management as a result of their composite attitudes and approaches in regard to the management of the affairs of the industry, for the betterment of not only the management and workers but also of the industry and natural economy as a whole." Taking into consideration the significant role that is being attached to the industrial relations in public sector, the objective of the present research work is to make an in depth study of industrial relations of the BHEL Hyderabad unit.

In spite of its phenomenal growth and achievements, the public sector has come in for criticism for its major short falls. In an endeavor to improve the performance of the public sector undertakings, various reports official as well as non – official, National and International Seminars, parliamentary Committees and many other highlighted various administrative and management problems. Most of these reports have particularly stressed that adequate attention is not paid by the public sector undertakings towards an important aspect, namely industrial relations.[6]

**GROWTH OF PUBLIC SECTOR**

When India became independent, it was thought that without economic self- reliance and social justice, independence will be incomplete. Heavy investment was therefore made in public enterprises to build infrastructure, promote rapid economic growth and industrialization, secure balanced regional development, create job opportunities, prevent concentration of wealth in few hand and reduce the economic disparities between the haves and have-nots. Till the mid-1980s, the public enterprise policy was by and large guided by the Industrial Policy Resolution of 1956 which gave the public sector a strategic role in the economy. Many key sectors of the economy continue to be dominated by the public sector, which has successfully opened up new areas of technology and has built up a reserve of technical competence in large number of fields.

Before independence, there was almost no 'Public Sector' in the Indian economy. The only instances worthy of mention were the Railways, the Posts and Telegraphs, the Port Trust, the Ordnance and the Aircraft factories and few Government managed undertakings like the Government salt factories, quinine factories etc. After independence and with the advent of planning, India opted for the dominance of the public sector, firmly believing that political independence without economic self-reliance was not good for the country. The passage of

Industrial Policy Resolution of 1956 and adoption of the socialist. It was believed that a dominant public sector would reduce the inequality of income and wealth, and advance the general prosperity of the nation. The planners also seemed to believe that by placing the management and workers in public enterprises in a position of responsibility and trust, they would be so imbued with a sense of the public good that their actions and aspirations would naturally reflect what was best for the country. The main objectives for setting up the public Sector Enterprises as stated in the Industrial Policy Resolution of 1956 were:

- To help in the rapid economic growth and industrialization of the country and create the necessary infrastructure for economic development:
- To earn return on investment and thus generate resources for development;
- To promote redistribution of income and wealth; To create employment opportunities;
- To promote balanced regional development;
- To assist the development of small –scale and ancillary industries; and
- To promote import substitutions, save and earn foreign exchange for the economy.

In tune with the widespread belief at that time, the 2nd Five Year Plan stated very clearly that 'the adoption of socialist pattern of society as the national objective, as well as the need for planned and rapid development, require that all industries of basic and strategic importance, or in the nature of public utility services, should be in the public sector. Other industries, which are essential and require investment on a scale, which only the state, in the present circumstances, could provide, have also to be in the public sector. The state has, therefore, to assume direct responsibility for the future development of industries over a wider area.

The Second Plan further emphasized that 'the public sector has to expand rapidly. It has not only to initiate development which the private sector is either unwilling or unable to undertake, it has to play the dominant role in shaping the entire pattern of investment in the economy, whether it makes the investments directly or whether these are made by the private sector. The private sector has to play its part within the framework of the comprehensive plan accepted by the community.

Central public sector enterprises offer a wide range of products and services which include manufacturing of steel; manufacturing of heavy machinery, machine tools, instruments, heavy machine building equipment, heavy electrical equipment for thermal and hydel stations, transportation equipment, telecommunication equipment, ships, sub-marines, fertilizers, drugs and pharmaceuticals, petrochemicals, cement, textile, mining of coal and minerals, extraction and refining of crude oil, operation of air, sea, river and road transport, national and international trade, consultancy, contract and construction services, inland and overseas telecommunication services, financial services, a few consumer items such as newsprint, paper and contraceptives, hotel and tourist services, etc.

**INDUSTRIAL POLICY RESOLUTION THE GUIDING FACTOR**

The Industrial Policy Resolution of 1956 has been the guiding factor, which gave the public sector a strategic role in the economy. Massive investments have been made over the past five decades to build the public sector. Many of these enterprises successfully expanded production, opened up new areas of technology and built up a reserve of technical competence in number of areas. Nevertheless, after the initial concentration of public sector investment in key infrastructure areas, public enterprises began to spread into all areas of the economy including non-infrastructure and non – core areas.

Government of India announced on 24th July 1991 the 'Statement on Industrial Policy' which inter-alia included Statement on Public Sector Policy. The statement contains the following decisions: "Portfolio of public sector investments will be reviewed with a view to focus the public sector on strategic, high-tech and essential infrastructure. Whereas some reservation some reservation for the public sector is being retained, there would be no bar for area of exclusivity to be opened up to the private sector selectively. Similarly, the public sector will also be allowed entry in areas not reserved for it. Public enterprises which are chronically sick and which are unlikely to be turned around will, for the formulation of revival/rehabilitation schemes, be referred to the Board for Industrial and Financial Reconstruction (BIFR), or other similar high level institutions created for the purpose. Social security mechanism will be created to protect the interests of workers likely to be affected by such rehabilitation packages.

In order to raise resources and encourage wider public participation, a part of the government's shareholding in the public sector would be offered to mutual funds, financial institutions, general public and workers. Boards of public sector companies would be made more professional and given greater powers. There will be a greater thrust on performance improvement through the Memorandum of Understanding (MOU) System through which managements would be granted greater autonomy and will be held accountable. Technical expertise on the part of the Government would be upgraded to make the MOU negotiations and implementation more effective. To facilitate a fuller discussion on performance, the MOU signed between Government and the public enterprises would be placed in Parliament. While focusing on major management issues, this would also help place matters on day-to-day operations of public enterprises in their correct perspective."

In accordance with the decision announced in the aforesaid statement on industrial policy on public sector and also as per budget speech of July 1991, in order to encourage wider participation an promote greater accountability the Government equity in selected CPSEs was offered to mutual funds, financial institutions, workers and the general public.

**CONCLUSION**

Government of India, as part of its national agenda to promote growth, increase in efficiency and international competitiveness, has been continuously framing policies for industrial growth, fiscal, trade and foreign investment to achieve overall socio-economic development of the country. As a result of exceptionally severe balance of payments and fiscal crisis in the year 1991, the government decided to shift to a liberalized economy with greater reliance upon market forces, a larger role for the private sector including foreign direct investment.

The Government realized that a strong and growth oriented nation could be built if India grows as part of the world economy and not in isolation. Thus, liberalizing and deregulatory steps were initiated from the year 1991 onwards, which aimed at supporting growth and integration with the global economy. Since then, the thrust of New Economic Policy has been on progressive reforms such as reduction in the scope of industrial licensing, reforms in the Monopolies and Restrictive Trade Practices (MRTP) Act, reduction of areas reserved exclusively for public sector, disinvestment of equity of selected public sector enterprises (PSEs) enhancing limits of foreign equity participation in domestic industrial undertakings, liberalization of trade and exchange rate policies, rationalization and reduction of customs and excise duties and personal and corporate income taxes, promoting FDI, investments from NRIs (Non Resident Indians), extension of the scope of CENVAT, implementing the VAT regime in States, taking steps to switch over to goods & services tax system with effect from 01.04.2010, e-governance and simplification of various procedures, rules and regulations etc.

The Central Public Sector Enterprises (CPSEs) were classified into 'strategic' and non-strategic'. Strategic CPSEs were identified in the areas of (a) Arms & Ammunition and the allied items of defense equipments, Defense air-craft an warships;(b) Atomic Energy (except in the areas related to the operation of nuclear power and applications of radiation and radio-isotopes to agriculture, medicine and non-strategic industries); and (c) Railway transport. All other CPSEs were considered as non-strategic. Further, Industrial licensing by the Central Government has been almost abolished except for a few hazardous and environmentally sensitive industries.

**REFERENCE:**

1. *Agrawal A.N., H.O., Verma and R.C. Gupta (1989), India Economic Information Year Book, National publishing House, New Delhi, p.279.*
2. *Planning Commission, Second Five Year Plan (1956): A Draft Outline, p.23.*
3. *Chalam V. (1988), Financing of Public Enterprises in India, Himalaya publishing house, Bombay, p.3.*
4. *Narendar Pani(2011), The Underpinnings of Reforms, Business Line, July 07..*
5. *Nagaraj R.,what has happened since 1991?Assessment Of India's Economic Reforms, Economic and Political Weekly, Vol. 32, No. 44/45 (Nov. 8-14, 1997), pp. 2869-2879.*
6. *Ruddar Datt and Sundharam K.P.M. (2008), Indian economy 58th edition, S.Chand company Ltd., New Delhi, p.162.*
7. *Rangarajan C. (2003), State and Market, The Hindu Survey of Indian Industry, p.8.*
8. *Government of India, Ministry of Industry, Statement on Industrial Policy, dated July 24,1991. p.l0.*
9. *John Harris, The State in Retreat? Why has India experienced such Half Hearted Liberalization in the 80s? IDS Bulletin (Institute of Development Studies, Sussex, (U.K.), Vol. 18, No. 4,1987.*