CHAPTER-V
HR POLICY AND PRACTICES OF
VISAKHAPATNAM STEEL PLANT
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5.1 INTRODUCTION

Human Resource Management (HRM) refers to the policies, practices, and systems that influence employees’ behavior, attitudes, and performance. HRM deals with the “people” dimension of the organization\(^1\). Since every organization is made up of people, acquiring their services, developing their skills, motivating them to higher levels of performance, and ensuring that they contribute their maximum through commitment and involvement are essential for achieving organizational objectives. Organizations that are able to acquire, develop, motivate and retain talented human resources will be both effective and efficient. If human resources are neglected or mismanaged, the organization is unlikely to succeed. Effective HRM has been shown to enhance company performance by contributing to employee and customer satisfaction, innovation, productivity, and development of a favourable reputation for the company\(^2\).

It has now been well recognized that it is the organization’s employees and its HR Policy and Practices which provide competitive advantage to an organization, because they cannot easily be duplicated or imitated by the competitors\(^3\).

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Visakhapatnam Steel Plant believes that its employees are the most crucial resource to achieve organizational goals. To realize the full potential of employees, the company has formulated a comprehensive HR policy which is incorporated in its corporate plan as reproduced in Exhibit-5.1.

**Exhibit 5.1: Human Resource Policy**

| We, at Visakhapatnam Steel Plant, believe that our employees are the most important resource. To realize the full potential of employees, the company is committed to: |
| - Provide work environment that makes the employees committed and motivated for maximizing productivity. |
| - Establish systems for maintaining transparency, fairness and equity in dealing with employees. |
| - Empower employees for enhancing commitment, responsibility and accountability. |
| - Encourage team work, creativity, innovativeness and high achievement orientation. |
| - Provide growth and opportunities for developing skill and knowledge. |
| - Ensure functioning of effective communication channels with employees. |

Source: Corporate Plan of VSP.

As may be seen from the Human Resource Policy, VSP’s aim is to develop its employees into highly motivated, innovative and competent workforce in an environment where human dignity is respected and creativity is encouraged with trust and participation. Incidentally, these values form the heart of employee engagement and involvement that make the employees committed and motivated for maximizing productivity. Interaction with the senior executives of HR further revealed that building proactive organizational culture, inculcating discipline, improving internal communication, etc., are given utmost importance to continue to maintain high engagement and involvement levels in the company.
5.2 **SALIENT FEATURES OF HR POLICY**

HR Policy provides guidelines on the approach the organization intends to adopt in managing its people. It defines the philosophy and values of the organization in HR area\(^1\). Operations at integrated steel plants are generally labor intensive. Therefore, the core HR philosophy of the Steel Plant since its inception has been to forge strong employee relations to achieve the overall company goals. The focus, which was initially on development for achieving rated capacity, shifted gradually to involvement and motivation of employees to sustain the performance. Keeping in view the expansion strategy in view the HR policy of the Steel Plant reinforces the commitment of the Company towards all-round development of its employees and align them with business strategy.

The key HR processes, envisaged in the HR policy include the following:

- Employees relations
- Employee participation
- Employee development
- Work life management and Welfare administration
- Grievance redressal

The various results that the company achieves by way of maintaining healthy industrial relations, securing high levels of employee commitment, motivation and morale, etc., are the outcomes of these processes. HR development contributes towards bringing about attitudinal changes besides building new competencies among employees which are essentially required to improve the working processes, in line with key objectives of the company.

In order to continuously improve the effectiveness of the HR policies, the rules and procedures in HR area are reviewed periodically from the feedback obtained from various quarters and accordingly necessary modifications are

incorporated in HR Policy and Practices. The salient features of the HR Policy and Practices in the Steel Plant are briefly discussed below:

5.2.1 HR Planning

Human resource planning is the process of analyzing and identifying the need for and availability of human resources so that the organization can meet its objectives\(^1\). Human Resource Planning is carried out in the Steel Plant aiming at maintaining optimum levels of personnel at various levels to ensure maximum efficiency and a high level of labour productivity. Since inception of the company, utmost attention has been paid to contain the manpower of the company at optimum levels and build a committed and competent workforce. Thrust has been given to promote creativity and innovation at the workplace for achieving continuous improvement in operational performance and customer satisfaction. With a view to containing the manpower, the employee competencies are reviewed periodically and steps are taken to upgrade them through suitable training and HRD programmes. For instance, the requirement of additional manpower for expansion of the Plant from 3 million tonnes to 6 million tonnes per annum has been carefully assessed and deployments are done accordingly. The strategy has been to utilize the existing skilled manpower in new units coming up in expansion to the extent possible through retraining and redeployment and the shortfall is planned to be met through fresh recruitment.

Interaction with the senior executives of HR revealed that the process of human resource planning in the Steel Plant begins with developing a profile of the current skills available within the company and the skill sets required in the future. In other words, after studying the quantity and quality of the current manpower of the company, the requirement of additional manpower is assessed. The Steel Plant tailors the manpower planning system to corporate objectives and business strategies and draws up a long term deployment

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plans so as to make optimum utilization of manpower endowed with knowledge and skills best suited for achieving the objectives.

5.2.2. HRD and Training

The HRD policy of the Steel Plant focuses on employee development so that they exhibit professionalism in all walks of organizational life. The HRD policy has been designed by the top management by taking feedback from various participative forums, employee satisfaction surveys, knowledge sharing and learning and also through various task forces.

5.2.2.1 HRD for Executive Development

The aim of HRD function of the Steel Plant is to impart high level of managerial skills to all its executives in line with the current and future needs of the organization, to develop them into emotionally mature and behaviorally sound executives to cope with the role requirements. The Executives are made well-versed with the latest happenings in world-class steel plants and latest managerial practices adopted in progressive organizations. HRD programmes help Executives to frequently communicate with employees, make their knowledge and information base strong enough to enable them to lead their subordinates properly, motivate them appropriately, take appropriate and speedier decisions in order to achieve organizational goals.

5.2.2.2 HRD Philosophy

The Steel Plant is one of the few organizations where a well-conceived HRD philosophy has been evolved right from its inception stage. According to Athreya (1988)\(^1\), the ultimate aim of HRD is full participation of an individual in his/her job and life. The HRD philosophy of the Steel Plant has an underlying belief in the employees’ potential for growth and provides adequate opportunities to utilize the innate faculties of the employees for the success

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and growth of the organization. For this purpose, an “Apex Level Standing Committee on HRD” was constituted with CMD as its Chairman, which formulates HRD policies and practices and advises on various HRD programmes to be taken up in the Steel Plant.

5.2.2.3. HRD Policy

Exhibit 5.2 HRD Policy of VSP

<table>
<thead>
<tr>
<th>HRD Policy of VSP</th>
</tr>
</thead>
<tbody>
<tr>
<td>The HRD policy aims at creating an organizational culture which nurtures employees’ potential for the prosperity of the organization. To accomplish this, VSP strives to:</td>
</tr>
<tr>
<td>- Identify development needs of the employees on a regular basis, provide the necessary training and continually evaluate and monitor the effectiveness of the training so that the quality of the training also gets upgraded.</td>
</tr>
<tr>
<td>- Provide inputs to the employees for developing their attitude towards work and for matching their competencies with organizations requirements.</td>
</tr>
<tr>
<td>- Create an environment of learning and knowledge sharing by providing the means and facilities and also access to the relevant information and literature.</td>
</tr>
<tr>
<td>- Facilitate the employees for continuous development of their knowledge base, skills, efficiency, innovativeness, self-expression and behaviour so that they contribute positively with commitment for the growth and prosperity of the organization while maintaining a high level of motivation and satisfaction.</td>
</tr>
<tr>
<td>- Prepare employees through appropriate development programmes for taking up higher responsibilities in the organization.</td>
</tr>
<tr>
<td>- Fulfill social obligations by providing training to the students of educational institutions and to the trainees of other organizations.</td>
</tr>
</tbody>
</table>

Source: HRD Department of VSP

5.2.2.4. HRD Activities

The different activities taken up by the HRD wing of the Steel Plant are as follows:

- Organization of in-house Management Development Programmes
• Nomination of executives to outside programmes organized by expert bodies.
• Conduct of exit Interviews
• Interface with Professional Bodies
• Administration of performance appraisal of Executives
• Human Resource Information System
• Organization of Guest Lectures by Eminent Personalities

5.2.2.5. Employee Training

Training refers to a planned effort to facilitate the learning of job-related knowledge, skills and behavior by employees. Realizing the importance of training and development, the Steel Plant provides comprehensive, systematic and continuous training to develop the competencies of its employees. Thrust is given to re-training which involves unlearning old concepts and acquiring new skills by the employees. The Steel Plant also makes efforts to bring attitudinal change among employees through training.

Training needs of the employees are regularly identified through various means. After identifying the training needs, training is provided through on-the-job training, off-the-job training, sponsoring employees to outside training programmes, etc. Specific training programmes are planned based on strategic focus of the organization and also to suit departmental needs. Employee skills are continuously upgraded in several specialized areas. The Training & Development Centre established by the Steel Plant regularly conducts several training programmes for up-gradation of skills of employees. Employees are also deputed to various reputed institutes and the expertise gained by them is used for improving their performance on the job.

5.2.3 Career and Succession Planning

Successful organizations constantly help employees to plan their careers and manage them effectively. The employees of the Steel Plant are given an opportunity to identify their career aspirations and the organization provides them with the right opportunities. Organizations which help their employees to
manage their careers often enjoy the benefits of a motivated and loyal workforce. The Steel Plant believes that the responsibility for career development rests with both the individual and the organization. While the organization provides opportunities for learning and growth, it is the individual's responsibility to enhance his competencies to shoulder higher responsibilities.

Further, career planning is an integral part of human resource planning of the Steel Plant. Discussions with the senior executives of HR revealed that the Steel Plant has a well-defined career plan for all its employees, which involves three stages viz., talent spotting, assessing the past performance as well as judging future potential and plan career progression. The Steel Plant provides appropriate job rotations to ensure that persons are prepared for suitable higher positions that may arise in future. Career paths are decided by matching the profile of employees with the competencies that will be required in future jobs.

Succession planning involves identifying and grooming a successor for a vacancy that would arise in the future. The Steel Plant has a well-structured succession planning process which helps to identify the meritorious employees and grooms them properly to occupy senior positions in the future.

5.2.4. Performance Management

Performance management is done in the Steel Plant through a well-designed performance appraisal system which comprises of setting up of tasks and targets at the beginning of the year, mid-term review of the progress, and evaluation at the end of each year. The mid-term review provides valuable feedback to the appraisee about the focus areas to improve his/her performance. Performance appraisal focuses on two aspects i.e. assessment of performance and identification of potential based on specific parameters which are fixed jointly by the employee and his/her controlling officer. The system provides key performance targets for each individual. The evaluation is done at three levels i.e. Reporting Officer, Reviewing Officer and the
Performance Review Committee (PRC). PRC moderates the score within the appraisal group and gives final rating to the employees as ‘Outstanding’, ‘A’, ‘B’ and ‘C’. Not more than 10 per cent of the employees are rated as ‘Outstanding’ and similarly the total ‘A’ and ‘Outstanding’ does not exceed 30 per cent of the employees. The performance management system in the Steel Plant provides a constant channel of communication and avenues for continuous improvement. The system has been helping to enhance the performance of individual employees, and through it, the performance of the organization as a whole.

5.2.5. Employee Involvement and Empowerment

Employee involvement and empowerment are the key elements of HR policy of the Steel Plant. This is crucial for fostering not only a climate of participation and collaboration but also for developing mutual understanding and maintaining harmonious industrial relations. Apart from various participative forums to meet the statutory regulations, VSP has designed various forums for specific purposes which encourage employee involvement and participation.

5.2.6. Morale and Motivation of employees

The objective of motivation is to inspire people to behave in ways that are in the organization’s best interests. Organizations motivate employee to perform at high levels. This means getting them to work hard, to come to work punctually, and to make positive contributions to the organization’s mission.

The Steel Plant has a systematic integrated approach to the process of maintaining high morale and motivation of employees. It has introduced several motivational schemes by way of granting incentives and rewards to encourage employees to meet targets. The company employed outside consultants to conduct employee satisfaction surveys on a regular basis to study the morale and motivational levels of the employees. During the course of interaction with senior executives in HR area, it is noted that there has been
a growing realization of the fact that high morale and motivation level of employees significant by helped the Steel Plant to achieve higher levels of labour productivity as compared to other Steel Plants in the country.

5.2.7. Innovation and Creativity

Encouragement of innovation and creativity is given topmost priority in the Steel Plant. Individual employees who come up with creative ideas are encouraged to experiment with those ideas as a Quality Improvement Project (QIP), and are rewarded suitably for successful implementation. The suggestion scheme, quality circles and value engineering projects also aim at encouraging innovation and creativity of employees.

5.2.8. Awards and Recognition

The Steel Plant introduced several Awards in order to recognize the outstanding performance of its employees. The recipients of the awards are given cash and certificates which are presented on occasions like the Foundation Day, Independence Day, Republic Day, etc. The Steel Plant gives due weightage to awardees in promotions as well as in granting study tours, nominations to training programmes, etc. Some of the important awards instituted by the Steel Plant include:

- Jawaharlal Nehru Award
- Employee instantaneous Recognition Award (EIRS)
- GNANA Puraskar
- Quality Circle awards (Dept./ Plant level)
- Chairman’s Trophy for Excellence
- Safety and housekeeping awards
- 5S Certification for effective & systematic workplace management
- Best department trophies for suggestion implementation
5.2.9. Employee Satisfaction Survey

Employee satisfaction survey is the best means to capture the voice of employees and elicit their free and frank opinions. Realizing its importance, the Steel Plant has been conducting satisfaction surveys at regular intervals. Steps are initiated on sustained basis to improve the satisfaction levels of employees. Besides employee satisfaction surveys, other surveys on specific themes like communication channels, work climate, quality of work life, job rotation, etc. are also conducted at regular intervals.

5.2.10. Participative Forums

Workers participation in management refers to the creation of various participative forums to associate workers’ representatives with management. It is an essential step involving redistribution of power between the management and workers, in the direction of industrial democracy. The Steel Plant attaches utmost importance to workers’ participation in management within the company premises and outside. Several participative forums have been established to allow participation of workers in the decision making process and several improvements have been achieved in a good number of areas.

Some examples of improvements brought about through participative forums include improving safety and house-keeping, construction of bus shelters at new locations within plant and outside, augmenting drinking water facilities in different shop-floors inside the plant, etc. Effectiveness of the various participative forums is monitored by Central Employee Relations Section of the Steel Plant.

Through programmes like ‘Suggestions Schemes’ and ‘Quality Circles’, the Steel Plant provides opportunities for employee involvement in process improvements. The creative and innovative talent of employees is further unleashed by setting special forums for giving suggestions to tackle specific issues in the organization.
Employees are encouraged to acquire higher qualifications in their related area of work by granting advance increments as personal pay. Executives are also encouraged to pursue full time courses by giving them study leave. In line with the official communication policy of the company, employees are encouraged to acquire post graduate qualification in Hindi by granting advance increments as personal pay. Employees are also encouraged by giving onetime cash awards for attending the Hindi learning classes and also for passing the Hindi examinations.

### Exhibit 5.3: Different Forums designed by VSP for workers participation.

<table>
<thead>
<tr>
<th>Forum</th>
<th>Purpose</th>
<th>Constitution</th>
<th>Periodicity</th>
<th>Chaired by</th>
</tr>
</thead>
<tbody>
<tr>
<td>Top management &amp; union leaders forum</td>
<td>General IR and communication of company plans and performance</td>
<td>CMD, Directors &amp; leaders of recognized union and other two major unions</td>
<td>Quarterly</td>
<td>CMD/ Directors</td>
</tr>
<tr>
<td>Works Head &amp; Union leaders forum</td>
<td>Foster climate of participation and collaboration to sort out issues related to shop floor; communicate shop/plant performance and other relevant business information</td>
<td>ED (Works) &amp; Leaders of Recognized union and other Two major unions</td>
<td>Quarterly</td>
<td>ED (W)</td>
</tr>
<tr>
<td>Sports Council</td>
<td>Policies on sports and organization of events</td>
<td>12 management + 12 workers representatives</td>
<td>Bi-monthly</td>
<td>Director (Personnel)</td>
</tr>
<tr>
<td>Superannuation Benefit Fund Trust</td>
<td>Social security needs of employees</td>
<td>8 Management + 4 workers representatives</td>
<td>Monthly</td>
<td>Director (Finance)</td>
</tr>
<tr>
<td>Town Development Committee</td>
<td>Development of company township</td>
<td>16 management + 16 workers representatives</td>
<td>Monthly</td>
<td>HOD-Town Administration</td>
</tr>
<tr>
<td>Community welfare centres</td>
<td>Recreation &amp; cultural activities</td>
<td>10 management + 10 workers representatives</td>
<td>Monthly</td>
<td>ED (IR)</td>
</tr>
</tbody>
</table>

Source: HR department of VSP

The HR Policy envisages adequate thrust to employee involvement through a number of special schemes. The prominent among them are:

**Suggestion scheme:** Involvement of majority of the employees is ensured through suggestion scheme. The quality of the suggestions was enhanced by providing appropriate guidance, increasing awareness and imparting training to the employees. The cycle time from receipt of suggestions to their
implementation was reduced through close monitoring and follow-up. All the activities of suggestion scheme from generation of suggestions to acceptance for implementation are computerized and made on-line. The reward and recognition system is also reviewed from time to time in order to make the scheme more attractive.

**Quality circles (QCs):** QCs are organized in all departments involving various categories of employees with the objective of involving employees in solving work related problems and also to get suggestions to address the present and future problems relating to their work. Regular training programmes are organized for improving effectiveness of QCs. Thrust is given to increasing the number of projects by the QCs for continuous improvement.

**Value engineering:** Suitable recognition system is introduced to encourage participation in value engineering projects with the objective of reducing costs in various activities through the projects undertaken by employees. Training programmes on the concepts of value engineering are regularly organized for improving awareness and participation. Implementation of value engineering projects is given due importance with an appropriate mechanism for assessing the benefits.

**Quality improvement projects (QIPs):** With the involvement of senior management team various QIPs are identified from time to time. A system has been developed for ensuring completion of QIPs as per the schedule. Progress of the status on implementation of QIPs is computerized for close monitoring and follow-up. While monitoring of implementation is done by an official at senior management level regularly, CMD/Directors also review the progress of QIPs every quarter.

### 5.2.11 Work life Balance

Work Life balance has been identified in the Steel Plant as an important HR process with the objective of relieving the stress of the employees on account of demands of personal and family life. It includes total employee health care
and family care. The quality of life in the Steel Plant Township is a clear testimony to the importance given to work life balance in the Steel Plant, which has been appreciated by all evaluating teams viz., PM’s Trophy panel of judges, CII Exim Bank Award team, CII HR Excellence Team and other visitors. Voluntary involvement of employees of the Steel Plant in many socio-cultural activities like Laughing Club, Walkers’ Club, Trekking Club, Spiritual Activities, Sruti, etc., greatly relieve employee stress. The socio-cultural forums of the Steel Plant have become a role model to other organizations.

5.2.12. Grievance Redressal

The Steel Plant aims at giving top priority to the redressal of grievances of its employees on time. Well-structured grievance machinery has been put in place to receive and settle grievances of employees at different levels, so as to enhance the overall satisfaction levels of the employees. Besides, formal grievance redressal machinery for executives and non-executives, informal channels sensitive to the needs of the employees have also been introduced in addition to formal forums like face to face interaction between the employees and CMD and an internet based system viz., CMD-on-line, where employees can post queries directly to CMD. These forums have been serving a very good purpose in redressing grievances at the top most level of the Steel Plant.

As regards public grievances, in compliance with the directives of the Ministry of Steel, Govt. of India from time to time, the Public Grievances appearing in the media are scrutinized and addressed by Corporate Communications Department of the Steel Plant.

5.2.13. Compensation Package

Compensation plays an important role in the organization’s ability to attract and retain high-performing employees. It is the key reason that an employee chooses to work for one organization and not for another. Employee perception of the adequacy of compensation is an important determinant of their satisfaction and subsequent performance.
The Steel Plant provides an attractive compensation package to all categories of employees on par with other major steel companies in India. Presently, the fixed component of remuneration of employees is in the order of 80 per cent. Depending upon achievement of performance targets, various incentives are provided.

5.2.14. Human Resource Information System (HRIS)

A comprehensive computerized HRIS is in operation in the Steel Plant with a view to having a centralized data bank that can be accessed by all departments. The HRIS contains detailed information about the employees, their qualifications and experience, their performance appraisal ratings, etc. It is planned to incorporate competency profiles of employees in the HRIS.

5.2.15. Benchmarking

Benchmarking is a process by which an organization compares its performance with that of other organizations and learns how the best performing companies achieve the results\(^1\). These data are used to motivate employees to improve their performance in order to remain competitive. Continuous improvement in all activities is the focus area in benchmarking in the Steel Plant. Benchmarking is regularly done in several areas of HR. The organization identifies two or three key processes every year for benchmarking them with the best-in-class organizations with a view to improving the internal processes on par with the best.

5.2.16. Communication

Strengthening communication within the organization is one of the important areas of attention. Efforts are made towards making the existing communication fora like “Samalochana”, CEO-direct, structured interaction with employees through consultative machinery, etc. more effective. In-house

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publications like “Ukku Vani”, “Green Leaf”, “Vikas Dhara”, “Sugandh”, KM News, Maintenance Pearl, etc. are regularly published. Top-down and bottom-up internal communication channels are in place for communicating the plans, policies, performance expectations, results, etc., to the employees.

5.2.17. Work culture

RINL focuses on promoting and nurturing positive work culture through empowerment and involvement. The delegation of powers and performance appraisal system are used to promote such a culture in the Steel Plant. In order to improve inter-personal relations, mentoring has been introduced in every department.

5.2.18. Employee Relations

As a part of overall HR strategy, the Steel Plant focuses on maintaining harmonious industrial relations so that industrial peace is maintained always. Keeping this objective in view, major thrust is given by the Steel Plant for maintaining cordial industrial relations at all times. A Joint Consultative Machinery has been constituted with three major unions to discuss issues from time to time and solve industrial relations problems. The functioning of the machinery is being reviewed periodically to strengthen it and make it more effective. Continuous efforts are being made to maintain good relations with all employees for smooth functioning of the operations of the Steel Plant.

5.2.19. Welfare Amenities

The importance of welfare activities as a long term driver of employee engagement is well understood by the Steel Plant which provides excellent statutory and non-statutory welfare amenities to its employees. For example, the Steel Plant provides restrooms, canteens, lunch halls, recreation facilities, crèches, transport, housing, medical facilities, etc., on par with the best in the industry. Employee participation in welfare activities is given due importance. Various forums like town development committee, community welfare
committee, canteen committees, etc., help in this regard. Periodic union-
management interactions and interactions with officers’ association give
feedback on various welfare activities to be taken up by the organization.
Some of the welfare measures, benefits and facilities provided to the
employees are presented in Exhibit 5.4.

Exhibit 5.4: Welfare measures and benefits

<table>
<thead>
<tr>
<th>Statutory</th>
<th>Non-statutory</th>
<th>Others</th>
</tr>
</thead>
<tbody>
<tr>
<td>Welfare amenities</td>
<td>Comprehensive medical facilities</td>
<td>Cash awards for children for outstanding performance in academics and sports</td>
</tr>
<tr>
<td>Educational facilities</td>
<td></td>
<td>Promotion of Sports and games</td>
</tr>
<tr>
<td>Housing facilities</td>
<td></td>
<td>Facilities like Gym, parks, libraries, swimming pools, sports meet, etc., in the township.</td>
</tr>
<tr>
<td>First aid and emergency care</td>
<td>Conveyance allowance</td>
<td>Soft loans for house/interest subsidy for house loan</td>
</tr>
<tr>
<td>Provident Fund &amp; gratuity</td>
<td>Festival advance</td>
<td>Soft loan for vehicle</td>
</tr>
<tr>
<td>Workmen's compensation</td>
<td>LTC/LLTC</td>
<td>Soft loan for vehicle</td>
</tr>
<tr>
<td>Maternity leave</td>
<td>Leave encashment</td>
<td>Soft loan for furniture</td>
</tr>
<tr>
<td>Occupational Health</td>
<td>Work dress</td>
<td>Pre-retirement counseling</td>
</tr>
<tr>
<td>Creche facility</td>
<td>Employee family benefit scheme</td>
<td>Traveling expenses on superannuation</td>
</tr>
<tr>
<td>Canteens</td>
<td>Group savings linked insurance scheme</td>
<td>Superannuation benefit fund</td>
</tr>
<tr>
<td></td>
<td>Group personal accident insurance scheme</td>
<td>Group Medi-claim insurance policy for retired employees</td>
</tr>
<tr>
<td></td>
<td>Scholarships for employees’ children (merit, means, SC, ST &amp; PH)</td>
<td>Post retirement free medical facilities at company’s hospital</td>
</tr>
<tr>
<td></td>
<td>Yoga for Township residents</td>
<td>Family Benefit Scheme</td>
</tr>
</tbody>
</table>

Source: HR Department of VSP
Some of the non-statutory welfare initiatives taken by the Steel Plant are detailed below:

5.2.20. Township Facilities

The Steel Plant provides a clean and green township, viz., “Ukkunagaram”. A good number of facilities are provided in the township for taking care of the needs of the employees. Exhibit 5.5 presents the various facilities provided in the township.

Exhibit 5.5 Facilities at Township

- Shopping complexes
- Banks and ATMs
- Community Welfare Centres
- Temples /mosques/churches
- Parks / Skating Rings
- Clubs
- Sports complexes
- Gymnasiums
- Library-cum reading rooms
- Cultural and spiritual centres
- Schools and junior college
- Creche in the plant and township

Source: HR Department of VSP

5.2.21. Social, Cultural, Sports facilities

The Steel Plant has provided ample facilities and infrastructure to meet the social and cultural needs of its employees. Welfare department, Community Welfare Centres (CWC), Officers Club, etc., regularly organize various cultural and social activities. Further, various cultural and spiritual associations are also regularly invited by the Steel Plant to organize lectures and events. Eminent spiritual personalities are invited to the township for delivering discourses. Regular sports meets and inter-departmental competitions in various games and sports are organized to encourage employee participation.
Specialized coaching camps in various games and sports events are conducted for the benefit of the employees.

5.2.22. Improving quality of life

In its endeavor to remain a good corporate citizen, the Steel Plant took several initiatives to improve the quality of life of the employees as well as of the people in the neighboring areas. The company has been contributing to the development of society by providing basic amenities like bore-wells and other infrastructure facilities, vocational training, improvement of hygiene etc., in the peripheral villages.

5.3. IMPACT OF HR POLICY AND PRACTICES ON VSP’s PERFORMANCE

Organizations across the world are re-modeling themselves as they respond to the challenges presented by the global economy. Success in today’s competitive business environment is increasingly dependent on effective human resource policies, processes, practices and programmes. Structure and technology can be easily duplicated. The factor which cannot be duplicated and which can set apart an organization is its people and the policies and practices in HR area. The quality of the organization’s employees, their enthusiasm and satisfaction with their jobs, and their sense of fair treatment - all have a significant impact on the company’s employee engagement and involvement levels and in turn on productivity, profitability, reputation and growth.

The organizational performance indicators such as a company’s labour productivity, employee turnover, employee absenteeism, training efficiency, financial savings from suggestion scheme, quality circles, etc., reflect the contribution of human resource policy and practices to the performance of the company. An attempt has, therefore, made in this section to know the impact of HR policy and practices on company’s performance. It is evident from the data presented in sections 5.3.1 to 5.3.6 that several improvements have been achieved by the Steel Plant in organizational performance indicators
pertaining to the HR area, especially after implementation of the HR policy and practices.

5.3.1 Growth in Labour Productivity

The company’s HR Policy attaches utmost importance to labour productivity. Manpower strength is pegged down to about 18,000 as against nearly 40,000 in similar steel plants in public sector. Further, the plant operated at above rated capacities consecutively for the seventh year since 2002-03, and highest production levels have been achieved in all these years. From the data provided by HR department, it is seen that labour productivity which was at 30 t/man/year in 1990-91 increased to 225 t/man/year in 2001-02, but thereafter it has increased steeply from 260 t/man/year in 2002-03 to a level of 382 t/man/year in 2009-10 and steeply increased to above 382t/man/year in subsequent years, which is far above the labour productivity of other integrated steel plants in the country.

5.3.2 Reduction in Employee Turnover

As it may be observed from the data provided by the HR department, employee turnover which was at 0.18 per cent in 1990-91 decreased to 0.14 per cent in 2001-02. Thereafter, it remained almost at the same level for two more years but reached a level of 0.23 per cent in 2005-06 and 2006-07. Due to several measures taken through HR initiatives such as ‘employee retention policy’, innovative QWL (quality of work-life) programmes, HRD initiatives etc., the rate of employee turnover has drastically reduced to 0.08 per cent in 2009-10 and in subsequent years.

5.3.3. Reduction in Absenteeism

It is observed from the data provided by the HR department that employee absenteeism which was at 1.86 per cent in 1990-91 reached a peak of 1.94 per cent in 1995-96, but reduced to 0.77 per cent in 2001-02. Thereafter, the rate of absenteeism was gradually brought down to a level of 0.69 per cent in
2006-07 which has again gone up to 0.77 per cent in 2007-08, 1.04 per cent in 2008-09. However, several HR initiatives were taken to reduce absenteeism by introducing such measures as attendance incentive scheme, introduction of de-addiction programme, employee counseling etc. As a result, the rate of absenteeism was brought down to 0.88 per cent in 2009-10 subsequent years.

5.3.4. Increase in Savings from Suggestion Scheme

It is observed from the data supplied by the HR department that the savings from suggestion scheme have increased from Rs.746 lakhs in 1993-94 (the starting year of suggestion scheme) to Rs.1204 lakhs in 2001-02. Thereafter, due to several campaigns undertaken by the company to popularize the suggestion scheme, the savings from suggestion scheme increased to Rs. 2098 lakhs in 2009-10 and in subsequent period. This was possible mainly due to several HR initiatives taken by the Steel Plant to encourage employees through expeditious evaluation of the suggestions received and increase in incentives offered.

5.3.5 Increase in Savings from Quality Circles

The Steel Plant attaches utmost importance to quality circles. A number of quality circles have been organized in each department, and their functioning is closely monitored. It is observed from the data provided by the HR department that the savings from QC projects which were at a meager level of Rs. 13 lakhs in 1990-91 progressively increased to Rs.900 lakhs in 2001-02. Thereafter, due to several HR initiatives taken by the company the savings from QC projects increased to Rs. 1995 lakhs in 2009-10 and thereafter. This was possible mainly due to the thrust given to quality circles by the top management and the encouragement provided by the line managers on the shop-floor.
5.3.6. Improved Training Efficiency

The Steel Plant attaches utmost importance to training and HRD activities and allocates substantial budget for undertaking these activities every year. Training efficiency is generally measured through the number of man days trained. As may be observed from the data provided by the HR department that the number of man-days trained has increased from 86,000 in 1990-91 to 97,000 in 2001-02. Due to several measures taken through the HR strategy, the training efficiency has further increased to 2,13,256 in 2009-10 and thereafter. Training efficiency has considerably improved due to sponsoring of employees for on-the-job training, off-the-job training, organization of management development programmes etc.

From the above analysis, it may be inferred that the HR Policy and Practices have significantly contributed to the improvement of the performance of the company as revealed from several organizational performance indicators pertaining to HR area.