Chapter 3

HUMAN RESOURCE MANAGEMENT- CONCEPTUAL ISSUES WITH SPECIAL REFERENCE TO PUBLIC ENTERPRISES IN KERALA

3.1 Human Resource Management - Conceptual Issues
3.2 Public Enterprises in India and Kerala
The presentation of this chapter has been divided into two sections - Section A relates to the Human Resource Management- Conceptual issues and Section B about Public Enterprises in India and Kerala.

3.1 Human Resource Management- Conceptual Issues

It is an undisputed fact that out of all the resources contributing to economic growth, manpower is the most vital resource. India, today is at a crossroad; while we boast of one of the largest and youngest workforce, the most daunting challenge is Human Resource Management. Human resource, which is the most significant and active factor of production, is considered to be the centre of all development process of the economy. But the changing environment has led to a mismatch between the skills of the employees and the functional roles expected from them. The policy makers of our country having realized the intensity of this challenge are now increasing the focus on this all important task. Efficient HR practices are highly dynamic and ever changing with the changing requirements of the industry and the service sector.

There is a profound truth in the HR philosophy that the best organisations succeed not because of the people they have, but because of the right people. An American software Billionaire in Silicon Valley quoted that “My employees are my most important assets. When they go home in the evening, my net worth drops to zero.” This statement shows the importance of Human Resource Management in business scenario. So an effective Human Resource Management process is an essential tool in the hands of a successful business. Organizations, worldwide, have acknowledged that, deploying the right resources to solve the right problem at the right time is becoming increasingly critical. In the changing scenario optimizing human and intellectual capital is the biggest challenge organizations face.

Human Resource Management consists of three parts. The first among them is “Human”, a living and the best creature of God, who has feelings,
happiness, sorrows and above all capable of thinking, expressing, desiring to express and excel and achieving new goals.

The second constituent is “Resource”. Resources are available in the shape of skill, knowledge, techniques, directions and supporting working guidelines are the tools to put the things in shape and place a product before the general public to maximize earnings in the shape of profits.

The third constituent is “Management”. The management has to play a vital role of co-ordination, harmony, consolidation between the first two constituents so that all three constituents, with their inter-coordinate role may smooth the path of progress and to excel in the field of expertise, besides maximizing utility gains.

3.1.1 Definition

Before define HRM, it seems pertinent to first define the term ‘human resources’. In common parlance, human resources means the people. However, different management experts have defined human resources differently. They are:

a) Michael J. Jucius\(^2\) has defined human resources as “a whole consisting of inter-related, inter-dependent and interacting physiological, psychological, and sociological and ethic components.”

b) According to Leon. C. Megginson\(^3\), “From the National viewpoint, human resources are knowledge, skills, creative abilities, talents and aptitudes obtained in the population; whereas from the view point of the individual enterprise, they represent the total of the inherent abilities acquired knowledge and skills as exemplified in the talents and aptitude of its employees.”

Now it is clear from above definitions that human resources refer to the qualitative and quantitative aspects of employees working in an organization.
3.1.2 Human Resource Management

According to K. Aswathappa⁴ - “Human Resource Management refers to a set of programmes, functions and activities designed and carried out in order to maximize both employee as well as organizational effectiveness.”

According to Flippo⁵, human resources management is “the planning, organizing, directing and controlling of the procurement, development, compensation, integration, maintenance and reproduction of human resources to the end that individual, organizational and societal objectives are accomplished.”

According to National Institute of Personnel Management of India, “human resource management is that part of management concerned with people at work and with their relationship within the organizations. It seeks to bring together men and women who make up and enterprise, enabling each to make his own best contribution to its success both as an individual and as a member of a working group.”⁶

3.1.3 Personnel Management and Human Resource management

Human Resource Management is different from Personnel Management in orientation, approach and perspective, and not simply old wine in new bottles. HRM views people as an important source or asset to be used for the benefit of organizations, employees and the society. HRM is a broad concept. Personnel management (PM) and human resource development (HRD) are a part of HRM.

Personnel Management views man only as an economic person and is having a limited scope and an inverted orientation. It viewed labour as a tool the behaviour of which could be manipulated for the benefit of the organization and replaced when it was worn out. Personnel function was treated as a routine activity meant to hire new employees and to maintain personnel records. It was never considered a part of the strategic management of business.
3.1.4 Human Resource Development (HRD)

For many people, Human Resource Development and Human Resource Management convey the same meaning. This may not be true. Essentially, HRD is a function more concerned with training and development, career planning and development, and organization development. HRD therefore, is a part of HRM.

3.1.5 Industrial Relations Management (IRM)

Industrial Relations Management is yet another term which adds to the problem of semantics. ‘Industrial relations’, as the term implies, is merely concerned with employee grievances and their settlement, unionization and the like. IRM is also one wing of HRM.

3.1.6 Scope of Human Resource Management

The scope of HRM covers all the major activities in the working life of a worker from the time of his or her entry into an organization until he or she leaves the organization. Specifically, the activities included are-HR Planning, Job analysis and design, Recruitment and Selection, Orientation and Placement, Training and Development, Performance Appraisal & Job evaluation, Employee and Executive remuneration, Motivation and Communication, Welfare, Safety and Health & Industrial relations.

For the sake of convenience, we can categories all these functions into seven sections as:

i). Introduction to HRM
ii). Employee hiring
iii). Employee and executive remuneration
iv). Employee motivation
v). Employee maintenance
vi). Industrial relations
vii). Prospects of HRM
3.1.7 Objectives of Human Resource Management

Objectives of human resource management are derived from the basic objectives of an organization. In order to achieve organizational objectives integration of employer’s interest and employee interest is necessary. In this light, the objectives of human resource management may be summarized as follows:

i) To help the organization attain its goals by providing well-trained and well motivated employees.

ii) To employ the skills and knowledge of employees efficiently and effectively.

iii) To enhance job satisfaction and self-actualization of employees by encouraging and assisting every employee to realize his/her full potential.

iv) To establish and maintain productive self-respecting and internally satisfying working relationships among all the members of the organization.

v) To bring about maximum individual development of members of the organization by providing opportunities for training and advancement.

vi) To secure the integration of all the individuals and groups with the organization by reconciling individual / group goals with those of an organization.

vii) To develop and maintain a quality life (QWL) which makes employment in the organization a desirable personal and social situation.

viii) To maintain high morale and good human relations within the organization.

ix) To help maintain ethical policies and behaviour inside and outside the organization.
x) To manage change to the mutual advantage of individuals, groups, the organization & the society.

xi) To recognize and satisfy individual needs and group goals by offering appropriate monetary and non-monetary incentives.

Today it is accepted that people management enhances corporate performance. The appropriate people strategy must vary according to the organizational objectives, products or services, market positions, and financial health. Thus, human resource management seeks to attain (a) economically and effectively the organizational goals, (b) serve to the highest possible degree the individual goals (c) functional objectives to maintain the developments contribution at a level appropriate to organizations needs and (d) preserve and promote the general welfare of the community. To sum up, human resource management seeks to accomplish societal, organizational functional and individual goals. (Fig. 3.1)

Fig. 3.1: Objectives of HRM

3.1.8 Role of HRM Department

The success of any organization depends upon its ability to develop its human capital and utilize the same for corporate excellence. For that an
efficient HR department is essential for the smooth and effective working of any business organization, especially in the case of public sector units. It is generally accepted by top management that human resource management should be given a high priority in the organization. There must be a separate HRM Dept. in the organization. A HR Department can act as ‘torch-bearer’ in assisting the operating functions in achieving targets in various areas. HR Department can also act as a catalyst in generating “fire in the belly” of every employee that nothing less than the best will be acceptable. The HRM Manager should work as a human resource councilor of the Chief Executive. He should be a designer, an initiator, an implementer and a monitor of various HRM programmes and plans. To perform these responsibilities a Human Resource Manager should have technical, managerial and personal qualities.

Organization of a HR Department depends upon two issues like, place of the HR department in the overall setup and composition of the HR Department. Status of the HR department in the total organizational structure depends on whether a unit is small or large. In most of the small organizations, there is no separate personnel department. Services of outside agencies are enjoined for a fee or a low-placed employee may be entrusted with the task of attending to these functions. A large scale unit will have a Manager/Director heading the HR department. Where the Company has multiple plants located in different parts of the country, there may be a centralized HR/personnel department at the main or registered office and each plant will have separate HR department. Composition of the HR department depends on the scale of operations and attitude of the top management towards its personnel. However, a typical HR dept. (Fig. 3.2) is headed by a Director, under whom are Manager – Personnel, Manager – Administration, Manager – HRD and Manager – Industrial Relations.
3.1.9 Outsourcing HR Activities

Outsourcing is the process by which employers transfer routine or peripheral work to another organization that specializes in the work and can perform it more efficiently. The activities that are generally outsourced include employee hiring, training and development, payroll preparation, statutory records maintenance and the like. Some executives assume that outsourcing HR activities can reduce cost, improve flexibility and permit the hiring of specialized expertise. Realizing the potential benefits, 72% of the Indian companies are outsourcing their HR activities. If through outsourcing, all activities are assigned to an outside firm, a Company can do without a HR department.

3.1.10 Role of HR Manager

In an organizational setup, getting things done by convincing others is very important and the success of a manager, to a great extent, depends on convincing others. Effective leaders in this era, will be those who are continuous learners, who are on the cutting edge of excellence, who have
strong convictions, and yet, having humility to recognize the need to reinvent themselves and inspire their organization to adapt to the new environment.\textsuperscript{12}

To be successful in his job, a personnel manager must be a specialist in organization theory and as such be an effective adviser to top management in organizational matters as well as being able to organize his own department in such a manner as to minimize frictions, promote goodwill, and release the latent energies of his own people. He should have real expertise in personnel administration and should have the ability of convincing matters to the management. Unless the personnel manager has the active support of the top management, he will be like a ship without a rudder. On the other hand, if he does not win the confidence of the employees and their union, he will not be respected by the management. Over the years, the position of human resource manager has changed significantly. In the early days of industrialization, he was considered a second class officer in his organization. But today human resource manager is treated as a philosopher, specialized practitioner and a strategic partner.

Organizations differ in structure, management styles, work processes, work culture and the complexities of the operating business environment. Similarly every individual is different, his problems, needs and emotions are different. The world order is changing dramatically and is in the process of complete transformation. The impossible things of yesterdays have become possible today and the impossible things of today will become possible tomorrow. That is why it is said that change is the only permanent aspect of nature.

The above trends will have a tremendous impact on the tasks of HR professionals who will have to act as ‘change agents’ or change facilitator’s. The roles of the HR Manager (Fig.3.3) include roles of conscience, of a counselor, a mediator, a company spokesman, a problem solver and a change agent.
(i) The conscience role: The conscience role is that of a humanitarian who reminds the management of its morals and obligations to its employees.

(ii) The counselor: Employees who are dissatisfied with the present job, approach personnel manager for counseling. In addition employees facing various problems like marital, health, mental, physical and career also approach the personnel manager. The PM counsels and consults the employees and offers suggestions to solve the problems of the employees.

(iii) The mediator: As a mediator, the personnel manager plays the role of a peace-maker. He settles the disputes between employees and the management.

(iv) The spokesman: He is a frequent spokesman for or representative of the company.

(v) The problem solver: He acts as a problem solver with respect to the issues that involve HRM and overall long range organizational planning.

(vi) The change agent: He acts as a change agent and introduces changes in various existing programmes.

The ideal personnel manager is not a “decision-maker” but a “counselor” not “a collector of responsibilities” but “an advisor” to help the management make more reliable personnel decisions. If the personnel man can meet the challenge of “staff role” he would make the most effective contribution to industry.
3.1.11 Personnel (HRM) Policies, Procedures, Practices & Principles

A well designed personnel programme is as much economical and should help to achieve the objectives like motivation of employees, increased productivity, better quality of work life and greater effectiveness of the organization. Every HRM programme must have well-defined objectives and it should be supported by sound policies, procedures and practices.

3.1.11.1 Personnel Programme

A programme is a complex of objectives, policies, procedures, task assignments, steps to be taken, resources to be employed and other elements necessary to carry out a given course of action. In HRM, there may be separate programmes for employment, training, maintenance, welfare, etc. Each programme is different from other programme.

A policy is “an established guiding canon promised on objectives, devised to govern the activities of the business enterprise and from which the basic precepts of conduct are deprived.”

3.1.11.2 HRM Policies

In order to clearly understand the implications of personnel programmes, it is necessary to distinguish between personnel policies, procedures and
practices. A personnel policy provides a framework within which decisions can be taken without further reference to higher authorities. A policy is a plan of action and has a reference point for managers in their dealings with employees. Personnel policies are developed by top management to assist the managers at various levels to deal with the people at work.

### 3.1.11.3 Personnel Procedures

A procedure is a method for carrying out a policy or a systematic way of handling regular events. It refers to the detailed step by step manner of applying a policy to a particular administrative context. Policies are general instructions whereas procedures are specific applications.

According to Terry, “A procedure is a series of related tasks that make up the chronological sequence and the established way of performing the work to be accomplished”.\(^{14}\)

Procedures must be periodically reviewed and updated to keep pace with the changing requirements of the volume of work.

### 3.1.11.4 Personnel Practices

It refers to the manner in which personnel programmes are implemented in keeping with the procedures laid down for attaining the objectives as stated in personnel policies. Personnel practices are highly important as impact of policies on the employees is mostly felt at the level of implementation. High sounding policies or elaborate procedures will not have any meaning for the employees unless personnel practices are in line with these policies and procedures.

### 3.1.11.5 HRM Principles

Principles are the fundamental truth established by research, investigation and analysis. Many personnel principles have been established through practice, experience and observation. Principles are universal truths generally applicable to all organizations. Policies, on the
other hand, vary from organization to organization. Principles guide managers in formulating policies, programmes, procedures and practices.

3.1.12 Manpower Policy may Embrace:

Human resource planning
  a) Recruitment and Selection
  b) Placement, Induction & Socialization
  c) Training & Development
  d) Promotion and Performance Appraisal
  e) Compensation Management
  f) Communication and Motivation
  g) Industrial Relations
  h) Collective Bargaining etc.

In all these areas, new policy is developed when new problems arise leading to change in form and content and properties among these areas. Policy which is effective at present, may become obsolete in future in view of changed situations.

3.1.13 Human Resource Planning (HRP)

The success of an organization depends largely on the quantity and quality of its human resources. No organization can be successful in the long run without having the right number and the right kind of people doing the right jobs at the right time. Before selecting the right man for the right job, it becomes necessary to determine the quality and number of people required in an organization. This is the function of human resource planning. Improper planning may lead to either over staffing or under staffing, both of which should be avoided.

According to Decenzo and Robbins, “Human resource planning is the process by which an organization ensures that it has the right number and kind of people, at the right place, at the right time, capable of effectively and
efficiently completing those tasks that will help the organization achieve its overall objectives.”

In the words of Dale S. Beach, “Human resource planning is the process of determining and ensuring that the organization will have an adequate number of qualified persons, available at the proper time, performing jobs which meet the needs of the enterprise and which provide satisfaction for the individuals involved”.

Formulation of HRP is a shared task between top management, line managers and HR department.

3.1.14 Human Resource Planning Process

National Industrial Conference Board, USA, has viewed that manpower planning could be seen as a series of activities consisting of the followings:

i). Forecasting future manpower requirements;

ii). Inventorying present manpower resources and analyzing the degree to which these resources are employed optimally;

iii). Anticipating manpower problems by projecting present resources into the future and comparing them with the forecast of the requirements, to determine their adequacy, both quantitatively and qualitatively;

iv). Planning the necessary programmes of recruitment, selection, training, deployment, utilization, transfer, promotion, development, motivation and compensation so that future manpower requirements will be met.

An effective and well designed HR plan will act as a useful tool in framing the policies regarding recruitment and selection, training and development, performance appraisal etc.
3.1.15 Determining Manpower Requirements

The manpower manager is confronted with the problems like “How many and what kinds of individuals are required in the enterprise?” Yoder and other suggest job analysis as a technique to determine qualitative manpower requirements.

3.1.15.1 Job Analysis

Job analysis refers to the process of collecting information about a job. In other words, it refers to the anatomy of the job.

According to Jones and Decothis, “job analysis is the process of getting information about jobs: specially, what the worker does; how he gets it done; why he does it; skill, education and training required; relationship to other jobs, physical demands; environmental conditions.”

Edwin B. Flippo has defined job analysis as the process of studying and collecting information relating to the operations and responsibilities of a specific job. The immediate products of this analysis are job descriptions and job specifications.

There are two major aspects of job analysis. They are:-

i). **Job Description**: - Job description is a written statement of what a job holder does, how it is done, and why it is done. It is also a description of the activities and duties to be performed in a job, the relationship of the job with other jobs, the equipment and tools involved, the nature of supervision, working conditions and hazards of the job and so on. It description differentiates one job from the other.

ii). **Job Specification**: - Job specification is a statement of the minimum levels of qualifications, skills, physical and other abilities, experience, judgment and attributes required for performing job effectively. While job description focuses on the job, job specification focuses on the person i.e., the job holder.
3.1.15.2 Job Evaluation

Job evaluation is a comparative process of establishing the value of different jobs in a hierarchical order. It allows one to compare jobs by using common criteria to define the relationship of one job to another. This serves as basis for grading different jobs and developing a suitable pay structure for them. The techniques used for job evaluation include ranking, job classification, points rating etc.

3.1.15.3 Job Design

Job design is the process of deciding the sequence of job contents/or analysis. It involves specifying the contents of a job, the work methods used in its performance and how the job relates to other jobs in the organization.

Methods / Techniques of Job Design

Jobs can be designed to range from very simple to highly complex depending on the use of the worker’s skills. Some of the popular methods of job design are:

a) Work Simplification
b) Job Rotation
c) Job Enrichment
d) Job Enlargement

a) Work Simplification: - Under this method, the job is simplified by breaking it down into small-parts. Then each work is assigned to a worker who does the same task over and over again. This increases workers productivity, on the one hand, and, in turn, profits on the other. However, due to repetitive job, workers feel boredom that also leads to mistake and accidents.

b) Job Rotation: - Job rotation implies the moving of employees from job to job without any change in the job. Here an employee performs different jobs,
but of the same nature. The advantages are: it removes boredom, broadens employee’s knowledge and skill and competent.

c) **Job Enrichment:** - ‘Job enrichment is a motivational technique which emphasizes the need for challenging and interesting work’. Job enrichment is a vertical expansion of a job by adding more responsibility and freedom to do it.

d) **Job Enlargement:** - It involves adding more tasks to a job. This is a horizontal expansion in a job. By adding more tasks to job, job enlargement expands job scope and gives variety of tasks to the job holder. Job enlargement reduces boredom and monotony by providing the employee more variety of tasks in the job.

Job enrichment is different from that of job enlargement. Job enlargement attempts to make a job more varied by removing the dullness associated with performing repetitive operations. It involves a horizontal loading or expansion, i.e., the addition of more tasks to the same nature. But in job enrichment, the attempt is to build into the job a higher sense of challenge and importance of achievement. Job enrichment involves vertical loading of functions and responsibilities which require higher levels of skills with competence. In order to enrich the job, management should take the following measure:

- a) give sufficient freedom to employees in deciding about work methods, pace, sequence etc.
- b) add new tasks;
- c) increase responsibility;
- d) encourage participation;
- e) provide feedback to the employees; and
- f) make the personnel understand how tasks contribute to a finished product of the enterprise.
3.1.16 Recruitment, Selection and Placement

Recruitment is a basic function in a HRM and it is an important part of an organization’s human resource planning which represents the competitive strength of a company. It is a process where in a right person has to be appointed at the right place at the right time in a right number. A productive employee is deemed to be an asset for an organization, whereas any amount spent on an unproductive employee adds to the loss.21

After the required number and kind of human resources are determined, the next step in the procurement function is to locate the sources wherefrom the required human resources can be available and to attract them towards the organization. This is known as ‘recruitment’.

According to Flippo, “Recruitment is the process of searching for prospective employees and stimulating and encouraging them to apply for jobs in an organization”22. In this context, the observation made by IIPM in India is worth citing. “The most striking feature in the Indian Labour market is the apparent abundance of labour – yet the ‘right type’ of labour is not too easy to find”.23

Recruitment needs are of three types – planned, anticipated and unexpected. Planned needs arise from changes in organization’s retirement policy. Resignations, deaths, accidents and illness give rise to unexpected needs. Anticipated needs refer to those movements in human resource which an organization can predict by studying trends in the internal and external environments.

The recruitment process consists of the following steps24:

i). Recruitment process generally begins when the human resource department receives requisitions for recruitment from any department of the company. The requisitions contain details about the position to be filled, number of persons to be recruited, the duties to be performed, qualifications required, terms &
conditions of employment and the time by which the person should be available for appointment.

ii). Locating & developing the sources of required number and type of employees.

iii). Identifying the prospective employees with required characteristics.

iv). Communicating the information about the organization, the job and the terms and conditions of service.

v). Encouraging the identified candidates to apply for jobs in the organization.

vi). Evaluating the effectiveness of recruitment process.

As Kempner point out, recruitment forms the first stage in the process which continues with selection and ceases with the placement of the candidate. Recruitment policy of an organization generally decides its future. In modern management, there is absolutely no scope for recruiting relations, friends and the like.

The recruitment process consists of two major steps, viz:-

a) Selection of the sources of supply

b) Generating applications

a) **Sources of Recruitment**

Suitable candidates must be attracted before making selection. Hence the sources of supply of personnel have to be identified. There are two main sources like:

a) Internal sources and

b) External Sources

The sources included under each category are depicted in the following figure 3.4.
1. **Internal Sources:**

   a) **Present Employees:** Promotions and transfers from among the present employees can be a good source of recruitment. It is advantageous because the employees promoted are well acquainted with the organizational culture, they get motivated, and it is cheaper also. It also reduces the requirement for job training. However, it may not ensure the selection of the best persons for higher position. It blocks the possibility of getting new persons with new ideas, initiative and originality. It causes frustration and heart-burning among others who do not get promotions.

   b) **Former Employees:** Retired or retrenched employees may be interested to come back to the Company to work on a part-time basis.

   c) **Employee Referrals:** Here the existing employees refer their family members, friends and relatives to the company as potential candidates for the organization.
d) Previous applicants: This is also considered as internal source in the sense that applications from the potential candidates are already lying with the organization.

2. External Sources

These refer to recruitment from sources outside the organization. It includes:

a) Direct hiring: - The operative level personnel like mechanics, attenders etc. may be easily recruited by putting up a vacancy board at the gate. On the spot recruitments through walk-in interviews and job fairs are becoming popular for call centres, BPO firms etc.

b) Employment Exchange: - Employment Exchange link job seekers and employers. They register job seekers and furnish their details to employers who notify vacancies. The Employment Exchange Act 1959 makes it obligatory for both public sector and private sector enterprises to fill certain types of vacancies through employment exchanges.

c) Advertisement: - Advertisement is perhaps the most widely used method for generating many applications. An advertisement copy which should be prepared by using a four point guide called AIDA. The letters denote that advertisement should attract Attention, gain Interest, arouse a Desire and result in Action.

d) Employment Agencies/Outsourcing: In addition to the Govt. agencies, there are a number of private employment agencies who register candidates for employment and furnish a list of suitable candidates from their data bank as and when sought by the prospective employers. This method is found very cheap and the management can save more time.
e) Professional Associations: - Here recruitment of certain professional and technical positions is made through professional associations like Institute of Engineers, Indian Medical Association, All Indian Management Association etc.

f) Campus Recruitment: - Nowadays campus recruitment is a common source of recruitment in big organizations. These big organizations maintain a close liaison with the universities, vocational institutes and Management institutes for recruitment to various jobs. This recruitment is suitable for only ‘entry positions’ like management trainees etc. For higher level positions, campus recruitment is not suitable.

g) Deputation: - Another source of recruitment is deputation from other organizations for a short duration of two to three years. This method is more practiced in Govt. Departments and public sector organizations. It is a useful method because it provides ready expertise and the organization does not have to incur the initial cost of induction and training.

h) Raiding or Poaching: - The term poaching is used by recruiters to recruit employees of any other company. At present the latest mantra being adapted by many organizations is “buying talent” rather than developing it. Normally the rival firms by offering better terms and conditions try to attract qualified employees to join them. e.g. - several executives of HMT left to join Titan Watch Co. and several pilots of Indian Airlines left to join private Air Taxi operators. It is considered to be an unethical practice. Moreover poaching has become a challenge for the human resource managers because it will weaken the competitive strength of the firm.
Website or e-recruitment: - The e-recruitment is a new trend that has been followed by many organizations as a source of medium towards recruitment. Job seekers advertise the job vacancies through the worldwide web. The job seekers send their applications or Curriculum Vitae (CV) through e-mail. It has certain advantages like low cost of recruitment per candidate, reduction in time for recruitment etc.

3.1.17 Govt. Policy on Personnel Policies of Public Enterprises

On 14th April 1961, the Govt. had formulated the following note regarding personnel policies of Public Enterprises, which may be seen as a guideline:

i). Unskilled workers should be drawn from the locality where the project is situated.

ii). All efforts to be made to recruit persons displaced from the area acquired for the project, specially, the scheduled castes & tribes.

iii). Next preference to be for those who, even if they come from a distance, have been retrenched by other public enterprises.

iv). Skilled workers, clerks and other non-technical staff, if basic qualifications and experience are available, will be recruited with the same preferences as for non-skilled staff.

v). Middle level technical non-technical posts having higher starting salaries equivalent to class I junior scale of Govt. of India are to be filled on all India basis, merit and qualification being the principal criteria.

vi). Higher non-technical posts should be filled from the candidates available in the Industrial Management Pool, failing which the posts advertised on All-India basis.

vii). All higher technical posts are to be filled from persons recruited either by advertisement on All India basis or by personal contact.
viii). All applications received along with the list sent by the employment exchange should be screened, and appointments made by selection committees which will have representatives from the State Govt.

ix). For higher and medium level posts at least one representative of the state Govt. preferably a State Govt. official who is on the board of directors should be included in the selection committee.

x). Urgent and adhoc appointments, if made, should be brought to the notice of the selection committees.

3.1.18 Selection

Scientific selection and placement will go a long way towards building up a stable work force. It will keep the rates of absenteeism and labour turnover low and will increase the morale of the employees. If the employees are suitable according the requirements of the jobs, they will show higher efficiency and productivity. Selection starts where recruitment ends. Selection is the process of picking the suitable candidates from the pool of job applications to fill various jobs in the organization.

According to Yoder, “Selection is the process by which candidates for employment are divided into class-those who will be offered employment and those who will not.”

Selection Devices

The selection pattern varies from organization to organization, depending on its needs and the level for which selection is made. The widely used selection devices are:

a) Preliminary Interview: - It is the process of eliminating the undesirable / unqualified candidates at the outset. Here the authorities explain the nature of job and about the organization to the candidates.
b) Application Blank/Screening of Applications: - It is a traditional device widely used for collecting information from candidates. Small firms design no application form and ask the candidates to write details about their age, marital status education, work experience, etc. But big companies use different types of application forms for different jobs. The application form should provide all the information relevant to selection.

c) Selection Tests: - These are tests conducted to measure the job related abilities and skills of applicants. It includes Intelligence Tests, Aptitude Tests, Interest Tests, Personality Tests etc. The candidates who have scored above the predetermined cut off points are likely to be more successful than those scoring below the cut off point. Tests are useful when the number of applicants is large.

d) Interview: - Interview is one of the most commonly used selection devices. It gives an opportunity for the interviewer to learn about the applicant’s behaviour, background, interest and values. The information collected through application and test can be cross-checked in the interview.

e) Reference Checking: - The applicant is asked to mention in his application form, the names and addresses of two or more persons who know him well. The prospective employer normally makes an investigation on the reference supplied by the applicant and undertakes more or less a through search into the candidates past employment, education, personal reputation, policy record etc.

f) Physical Examination: - A comprehensive physical examination of the selected candidates is conducted before their placement. This is necessary in order to ensure that the selected candidates are physically fit and are free from serious ailments.
g) Final Selection: - The candidates who clear all the steps involved in selection process are finally selected and a letter of job offer is issued to them. This appointment letter contains the details like pay-scale, allowances and other terms and conditions of the job. It also contains when and whom he should report for joining the duty.

h) Placement: - Placement involves assigning a specific job to each one of the selected candidates. It has been customary in most of the organizations to put employees initially on a probation period with a view to adjudge their suitability for the job in the organization. The probation period may vary from organization to organization ranging from one to two years.

i) Induction/Orientation: - Induction is “the process of receiving and welcoming an employee when he first joins a company and giving him the basic information he needs to settle down quickly and happily and start work.”28 The purpose of orientation is to make the new entrant feel at home and develop a sense of pride in the organization and commitment to the job.

j) Socialization: -Socialization is the process of adaptation to new values, norms and attitude. At this stage the new employee attempt to learn and inculcate the norms and values of the work roles in the organization. Induction is a part of socialization. Induction is confined to the new recruits only, whereas socialization covers transfer and promotion. It comprises three stages – pre- arrival, encounter and metamorphosis.

3.1.19 Training and Development

In the present era of the privatization grow and internationalization, the business can grow compete only when the employee performance is at the par with the beat in the industry. In order to do so corporate houses conduct
training programmes of their employees to update their skill and enhance their efficiency and working performance.\textsuperscript{29}

The drastic change in the business world requires accepting new values, behaving differently, learning new skills and competencies and often taking more risks. Such a transformation is possible only through effective training and development programmes.\textsuperscript{30}

The development of human resources is putting newer challenges in today’s business world. Therefore training and development are receiving a great deal of emphasis.\textsuperscript{31} The purpose of training is basically to bridge the gap between job requirements and present competence for an employee. Training is aimed at improving the behaviour and performance of a person. The need for training and development is determined by the employee’s performance deficiency, computed as follows:

\[
\text{Training and development need} = \text{Standard performances} - \text{Actual performance.}
\]

**Development**

The term ‘development’ has broader scope and aim to develop people in all respect. Development enables individuals to become not only good employees but better men and women also. Development is an ongoing continuous process, while training is a one-shot deal. It also refers to behavioural modification of people through continuous learning practices. Training courses are typically designed for a shot-term, stated set purpose, such as the operation of some piece(s) of machinery while development involves a broader education for long-term purpose.

It is quite common that training activity of any organisation are largely measured by number of training programmes conducted per year or number of training programmes per employee per annum which does not reflect quality of the training programme. In addition to training of new entrants,
manpower at all levels requires refresher training from time to time, to avoid personal obsolescence. The following two Chinese proverbs highlight the importance of the employee training.

“Give a man a fish, and you have given him meal. Teach man to fish, and you have given him livelihood.”

“If you wish to plan for a year sow seeds, if you wish to plan for ten years plant trees, if you wish to plan for life time develop men.”

Training is no doubt expensive but the benefits often exceed the costs. But if the quality of training is poor it practically serves no purpose.

Training is required on account of the following advantages it offers to both employees and employers.

a) Better performance/higher productivity
b) Improved quality
c) Cost reduction
d) Less learning period
e) High morale
f) Low accident rate
g) Personal growth
h) Favorable organizational climate.

There are numerous training methods useful for specific categories of trainees. Each organisation has to choose methods and techniques of training which are relevant for its training needs. The various methods are:

i). On-the-Job Training
ii). Vestibule Training
iii). Off-the-job Training
On-the-Job Training- the worker is given training at the work place. It is based on the principle of learning by doing.

Vestibule Training- is a method of training in which a training centre called vestibule is set up and an expert trainer is employed to provide training.

Off-the-Job Training- requires the worker to undergo training for a specific period away from the work-place.

In addition to the above general methods of training, several training aids and audiovisual devices are also utilized in training programmes. These aids and devices include blackboards, projectors, charts, moving pictures, graphs, video tape recording, computers etc.

3.1.20 Evaluation of Training Programme

Many organisations do not realise the need to evaluate the training development programmes once the session ends. To get the best result from training the content and the process of the training should be evaluated. The process of examining a training program is called training evaluation. Training evaluation checks whether training has had the desired effect. Many researchers conducted so far on training and development and their evaluation indicate that no objective and reliable yardsticks have been evolved for measuring learning during training.

Organisations regularly notice a gap between the skills employees learn through training and their ability to demonstrate them. Learning is useless if it does not result in the desired change. Training fails because people stop learning the moment training ends.

3.1.21 Cross-Cultural Diversity and the Need for Expatriates Training

Culture differs from country to country and from market to market. The multinational companies have presence in a number of countries due to globalization and send their expatriates to take care of the company’s affairs
in other countries. These expatriates face adjustment problems because of the presence of altogether different environment in the host country.

With the growing influence of foreign markets and increasing growth prospects for multinational business models, it is of high importance that companies prepare their employees to fit for global assignments. At the organizational level, pre- and post-departure training, language training, cross-cultural training is needed to be implemented and they should be regularly monitored. At the individual level, expatriates should be supported by the family and friends.34 When a company wants to select an expatriate, it should choose a person of high emotional stability and cultural toughness and then he should be allowed to go to other country.

3.1.22 Promotion and Performance Appraisal

Promotion is an essential feature of an individual’s career. It is the most common form of internal mobility of personnel in an organisation. Personnel manager should aim at selecting, breeding, developing and retaining talent at all levels in the enterprise. Promotion is a reassignment of the individual to a job or higher position involving a change of duties to a more difficult type of work and greater responsibility accompanied by change of title and usually an increase in pay.

The seniority list of the employees at different levels should be finalized and updated periodically and circulated among them so as to enable them to have a clear idea about the prospects of their promotions in the enterprise.

Public Enterprises in India have been free to a large extent in framing their own promotion policies. There is no uniformity in the promotion policy of these enterprises although the Government laid down general principles and model rules in November, 1964. Following principles have been accepted for promotion programmes in PEs.
a) Promotion should be done solely on the basis of merit, efficiency and good conduct, irrespective of the seniority of the persons concerned in service.

b) Persons should be judged for promotion by the people who have watched their work and conduct over a longer period.

c) Promotions should be made on the recommendations of a committee consisting of not less than three officers, one of whom at least is acquired with the work of the person concerned.

d) In judging the person on the basis of the confidential reports of him, it should be seen that he was warned in time of the defects noticed in his work and conduct and that if he did not show improvement, he was warned again.

e) If no warning has been given to a person, it should not be presumed that the reports on him are so good as to justify his promotion.

There are mainly three types of promotion. They are:

1. **Horizontal Promotion** – Here promotion involves an increase in responsibility and pay with the change in the designation. The job classification remains the same.

2. **Vertical Promotion** – Here, there is a change in the status, responsibilities, job classification and pay.

3. **Dry Promotion** – It refers to increase in responsibilities and status without any increase in pay or other benefits.

**Demotion** - Demotion refers to the lowering down of an employee’s status, responsibilities, and pay in the organisation. It is affected when there is an economic crisis in an organisation due to external factors etc.

**Transfer** - It refers to movement of an employee from one section to another section of the same department, one department to another department, one
unit to another unit, one place to another place, or one function to another function in the form of job rotation without any change in the employee’s status, responsibility, and pay.

### 3.1.23 Performance Appraisal

Performance appraisal is a systematic and objective way of judging the relative worth or ability of an employee in performing his task. According to Flippo\(^{35}\), performance appraisal is the systematic, periodic and an impartial rating of an employee’s excellence in matters pertaining to his present job and his potential for a better job."

Performance Appraisal is undertaken for variety of purposes like:-

a) To identify employees for salary increase, promotion, transfer and lay-off or termination of services.

b) To determine training and development needs of the employees.

c) To motivate employees by providing feedback on their performance levels.

d) To establish a basis for research and references for personnel decisions in future.

In Indian PEs, little attention is, however, paid to fixing the targets for individual employees. In some cases, only a general write-up on the performance of the employee is recorded and finally, the overall performance of the employee is categorized as average, above average, good, excellent or outstanding.

### 3.1.24 Performance Appraisal in Public Enterprises

Most of the PEs use appraisal systems. The methods of appraisal used by PEs are as follows:-

a) Immediate supervisor filling appraisal form countersigned by superior and the head of the department.
b) For superior grades, it may require concurrence of PSEB and DPE.

c) There are time bound efficiency bars in scales of pay.

d) They provide an opportunity to the employees to make representation against adverse remarks.

e) Some of the organisations are zero effects programme. This is to enable the subordinate to examine his weaknesses and provide plus points for achievement.

f) There is more emphasis on traits like dependability, initiative, enthusiasm, loyalty, leadership etc.

g) There is negligible emphasis on appraising the potential of the executive for future growth.

h) There is no counselling provision in the appraisal plan of the PEs.

3.1.25 Compensation Management

Compensation in case of HRM is referred to as money and other benefits received by an employee for providing services to his employer. Compensation of human factor is more tedious and therefore, separate techniques and tools are required for it. So it is known as compensation management or remuneration management.

Compensation constitutes the single most important cost in most organisations. Therefore, the effectiveness with which compensation is designed and managed can provide a competitive edge. Compensation is equally important to the employee as it determines his or her standard of living and status in society. In other words, compensation affects a person economically, socially and psychologically.

According to Cascio “Compensation includes direct cash payments, indirect payments in the form of employee benefits and incentives to motivate employees to strive for higher levels of productivity.”
Based on the above description of compensation, we may identify its various components as follows:

a) Wages and Salary
b) Incentives
c) Fringe Benefits/Welfare facilities

3.1.26 Wages and Salary

Wages and salary are the most important component of compensation and these are essential irrespective of the type of organisation. Wage is referred to as remuneration to workers particularly, hourly rated payment. Salary refers to as remuneration paid to white collar employees including managerial personnel.

A sound wage and salary administration seeks to achieve the following objectives.

a) To establish a fair and equitable remuneration
b) To attract competent personnel
c) To retain the present employees
d) To improve productivity
e) To control costs
f) To establish job sequences and lines of promotion wherever applicable
g) To improve union management relations
h) To improve public image of the company

Basically there are two methods of paying labour remuneration. One is time wage system and another is the piece wage system.

**Time Wage System**- Under this system, wages are paid on the basis of time spent on the job irrespective of the amount of work done. The unit of time may be a day, a week, a fortnight or a month.
**Piece Wage System**- Under this system remuneration is based on the amount of work done or output of a worker. One unit of output is considered as one piece and a specific rate of wage is paid per piece. It is also called payment by result.

Both of these systems are having certain advantages and disadvantages. So there arises another method i.e. Balance or Debt method. This method is a combination of time and piece wage system. The worker is guaranteed a time rate with an alternative piece rate. If the wages calculated at piece rate exceed the time rate, the worker gets credit. On the other hand, if time wages exceed piece wages, the worker is paid time wage.

### 3.1.27 Incentives

The very concern of a human resource manager is to extract the best and maximum result from the employees and also to retain them. However, compensation alone does not serve this purpose. Instead, in order to enthuse employees to contribute their best something in addition to compensation is needed.

Incentive is anything that attracts a worker and stimulates him to work. Incentive can be financial and non financial. According to Venkata Ratnam and Srivastva\textsuperscript{37}, “A wage incentive scheme is a method of payment for work of an accepted quantity produced over and above a specified quantity or standard.”

Incentives are mainly classified into two as financial and non financial. Financial incentives may further be classified as individual incentives and group incentives.

**Benefits:** These are the extra benefits provided by the employer to the employees in addition to the normal wage or salary. The commonly offered benefits are retirement benefits, pension and gratuity, provident fund, safety and health facilities etc. In simple terms benefits are non-wage benefits.
offered by the employer to the employees. They represent cost expense to the employer and cost savings to the employee.

Expenditure on welfare (benefits) is a profitable investment in the long-run as it motivates the workers for higher productivity. Labour welfares are not a form of employer’s goodwill or charity to the workers, but are facilitative services to build and maintain the morale of the workers to achieve the objectives of the organisation. The employees feel satisfied if they are provided with such services and they also feel committed to the organisation. Following are the basic objectives of labour welfare.

i). To provide better life and health to the worker.

ii). To make the workers happy, satisfied and efficient.

iii). To relieve workers from industrial fatigue and to improve intellectual, cultural and material conditions of living of the workers.

In India, the main agencies engaged in labour welfare include:

a) Central Government

b) State Government

c) Employers

d) Workers Organizations/Trade Unions

e) Other voluntary agencies

Central Govt. has passed a number of Acts for the welfare of workers under Factories Act, Indian Mines Act, Employment of Children Act, Maternity Benefits Act, Plantation Labour Act etc. These Acts provide for canteen, crèches, shelter, rest rooms, lunch rooms, washing and bathing facilities, medical aid, proper lighting, ventilation, drinking water etc. Appointment of welfare officers is also made compulsory. State Govt. run health centres, educational centres etc. for the welfare of the workers. Many
employers provide voluntary welfare facilities along with the statutory welfare facilities like medical and transport facilities, reading rooms, scholarships to children of workers, patronize teams of employees for hockey, football etc. The welfare facilities offered by the employers on their own are called voluntary welfare facilities.

3.1.28 Communication

A harmonious work atmosphere is the dream of every organisation. Management, especially the HR heads should always try to maintain good relation with its employees. For maintaining good human relations, an efficient system of communication is necessary. Communication is the mortar that holds an organization together, whatever its business or its size. Without communication an organization cannot function at all. So the employers of every organisation have emphasized the importance of communication skills and the current trends in the business environment.

Communication skills constitute skills in reading, writing, listening, understanding, and speaking. The Management Principle that- “all the leaders are managers; but all the managers are not leaders”\textsuperscript{38} is worth noting.

a) Elements of Communication

In order to analyze the activity of communication, we must know the process and the elements involved in the process of communication. There are seven elements or factors which make the process of communication.\textsuperscript{39}

i). Source/Sender is the one who initiates the action of communication.

ii). Audience/Receiver is the person(s) for whom the communication is intended.

iii). Goal/purpose is the sender’s reason for communicating, the desired result of the communication.

iv). Context/Environment is the background in which the communication takes place.
v). Message/Content is the information conveyed.

vi). Medium/Channel is the means or method used for conveying the message.

vii). Feedback is the receiver’s response to the communication as observed by the sender.

b) Methods of Communication

Most of our communication is with words. Language is common system of symbols which we use for sharing our experience with other. We do communicate a number of things by our facial expressions, movements, clothing and so on, whether we speak or not. We can also use other symbols like pictures, colors and sounds to communicate. Communication with word is called verbal communication. Verbal communication may be oral or written.

Oral communication occurs in situations like conversations, telephone talk, interviews, conferences, presentations, group discussions and meetings. It requires that both parties should be present and attentive at the same time. The common channels of oral communication are:

a) Face-to-face conversation
b) Telephone conversation
c) Presentation
d) Public speech
e) Interview
f) Group discussion
g) Negotiation
h) Meeting

Channels of written communication are:
a) Letter
b) Memo
c)  Notice
d)  Circular
e)  Report
f)  Minutes etc.

c)  Process of Communication

The process of communication involves decisions and activities by the two persons (sender and receiver) involved in communication. The sender begins the process of communication. The sender has to be clear about the purpose of the communication and about the target audience of the communication.

The functions of the sender are:

a)  Being clear about the purpose of the communication.
b)  Findings out about the understanding and needs of the target audience.
c)  Encoding the required information and ideas with symbols to create the message to suit the receiver.
d)  Selecting the medium to send the message.
e)  Making efforts to get feedback.

The receiver attends to the message and interprets it. The process of translating the symbols into ideas and interpreting the message is called decoding. Interpreting is a complex activity; it involves using knowledge of the symbols and drawing upon previous knowledge of the subject matter. The receiver’s ability to understand, level of intelligence, values and attitudes, and relation with the sender, all influence his creation of meaning. If the sender and the receiver have a common field of experience, the receiver’s understanding of the message will be closer to what the sender intended.40

3.1.29 Motivation

Motivation is an effective instrument in the hands of the management in inspiring the work-force. It is the major task of every manager to motivate his
subordinates or to create the ‘will to work’ among the subordinates. It should also be remembered that a worker may be immensely capable of doing some work; nothing can be achieved if he is not willing to work. So a manager has to make appropriate use of motivation to enthuse the employees to follow them.

In order to motivate workers to work for the organizational goals, the manager must determine the motives or needs of the workers and provide an environment in which appropriate incentives are available for their satisfaction. If the management is successful in doing so, it will also be successful in increasing the willingness of the workers to work. This will increase efficiency and effectiveness of the organisation. Higher motivation leads to job satisfaction of the workers which can reduce absenteeism, turnover and labour unrest.

Motivation is perceived to be a force to persuade people to perform. The formula for performance is \( P = O \times A \times M \). Where O stands for Opportunity, A for Ability and M for Motivation.\(^{41}\) If any of the components is missing or weak the performance will, either not be there or it will not be up to the mark.

The word ‘motivation’ has been derived from ‘motive’ which means any idea, need or emotion that prompts a man into action. Whatever may be the behaviour of a man, there is some stimulus behind it. Stimulus is dependent upon the motive of the person concerned. Motive can be known by studying his needs and desires. There is no universal theory that can explain the factors influencing motives which control man’s behaviour at any particular point of time.

According to Dalton E.McFarland, “Motivation refers to the way in which urges, desires, aspirations, strivings or needs direct, control or explain the behaviour of human beings.”\(^{42}\) Motivation has close relationship with the behaviour of human beings. It explains how and why the human behaviour is caused.

There are two types of motivation-intrinsic and extrinsic. Intrinsic motivation comes from within-the employee wants to do a good job. He is
willing to put forth a sustained effort to accomplish something. He is driven
by what is called a “fire in the belly.”

Extrinsic motivation consists of things outside you—bonuses, awards,
threat of punishment, etc. The rewards, which aim at satisfying economic and
social needs, are not really motivators for employee, but they are satisfiers,
and are extrinsic in nature.

**Theories of Motivation**

In many industries, top managements are under increasing pressure to
understand ‘how contemporary HR policies and practices add value to
organizational effectiveness. ‘Motivation is an important aspect that determines
the efficiency of an organization. Realizing the importance of motivation, many
researchers have attempted to study about the factors influencing motivation that
resulted the emergence of many theories on motivation.

Following are some of the theories of motivation.

1) **Maslow’s Need Hierarchy Theory**
2) **Mc.Clelland’s Needs Theory**
3) **Herzberg’s Motivation (Hygiene) Theory**
4) **Vroom’s Valence Expectancy Theory**
5) **Porter and Lawler Model of Motivation etc.**

Out of the above theories, the first two theories are prominent and
commonly used in industries.

1) **Maslow’s Need Hierarchy Theory**

This theory is based on human needs. These needs can be classified into a
sequential priority from the lower needs to the higher needs. He concluded that
when one set of needs is satisfied, it ceases to be a motivator. Thereafter the next
set of needs in the hierarchy takes its place. The basic human needs as identified
by Maslow in the ascending order of importance are as follows:
a) Physiological needs- These are the basic needs for sustaining human life like food, shelter, water air etc. These needs exert tremendous influence on man’s behaviour.

b) Safety needs- When the physiological needs are satisfied, the needs for safety and security arises. Employees need a danger free and secured work atmosphere. Employers should try to meet these needs by implementing effective safety and welfare measures in their units.

c) Social needs- Man always wants to be recognized and accepted by others. For meeting these needs people have to be given chances for good relations with each other in and outside the organization?

d) Esteem needs- Esteem needs refer to the need for self esteem and self respect. Needs which indicate self confidence, achievement, competence, knowledge and independence are included in them. This kind of need produces satisfaction as power, prestige, status and self-confidence.

e) Self-actualization needs- This is regarded as the highest level need in this hierarchy. The term “self-actualization” means to get actualized in what a person is potentially good at.

2) Mc.Clelland’s Needs Theory

David Mc.Clelland states that three types of needs arise as a result of experience in the life of persons. They are; Need for Power, Need for Affiliation, and Need for Achievement.

i). Need for Affiliation- This refers to the need to establish and maintain cordial relations with others.

ii). Need for Power- This need is egoistic and it refers to the desire of a person to dominate and influence others by using physical objects and actions.
iii). Need for Achievement- This need arises when a person desires to accomplish something with his own efforts. This implies one’s will to excel in his/her efforts.

According to McClelland, all these three needs may act simultaneously on an individual.

3) **Herzberg’s Motivation (Hygiene) Theory**

Herzberg started his theory with a distinction between motivational and maintenance factors in job situation. According to him, there are ten maintenance or hygiene factors and six motivational factors that influence the behaviour of persons. Hygienic factors include wages, fringe benefits, physical conditions, and overall company policies, administration, etc. The presence of these factors at a satisfactory level prevents job dissatisfaction, but does not provide motivation to the employees. Motivational factors like achievement, recognition, advancement, work itself, possibility of growth and responsibility are essential for increasing the productivity of the employees. In order to increase the motivation of employees, it is necessary to pay attention to motivational factors.

4) **Vroom’s Valence Expectancy Theory**

According to Victor Vroom, motivation of any individual depends on the desired goal and the strength of his expectation of achieving the goal. Motivation is the product of valence, expectancy and instrumentality. His theory is expressed in the formula-

\[
\text{Motivation (force)} = \text{Valence} \times \text{Expectancy} \times \text{Instrumentality}
\]

Here valance is the strength of an individual’s preference for a particular outcome. It can be taken as equivalent of value, incentive, attitude and expected utility. Valence is positive when the individual prefers to attending the outcome for not attending it. A valence of zero occurs, when the individual is indifferent towards the outcome and is negative when he prefers not attaining
outcome to attaining it. Expectancy is the probability that a particular action will lead to a desired reward and instrumentality denotes an individual’s estimate that performance will result in achieving the reward.

The combination that produces the strongest motivation is high positive valence, high expectancy and high instrumentality. If all the three are low, the resulting motivation will be weak. He suggest that the management must recognize and determine the situation as it exists and take steps to improve upon these factors for behavioural modification so that these three elements achieve the highest value individually.

5) Porter and Lawler Model of Motivation

This model is an improvement over Vroom’s Expectancy model and is mainly applied to study the behaviour of managers. He concluded that there exists a complex relationship between job attitudes and job performance. The different elements of this model are; effort, performance, rewards, and satisfaction. He stressed that managers should carefully assess their reward structure and that through careful planning and careful definition of role requirements, the effort-performance-reward-satisfaction systems should be integrated into the overall system of managing.

3.1.30 Industrial Relations

‘Industrial Relations’ refers to all types of relationships between all the parties concerned with industry. It is a vast complex of relationships obtaining between management and employees, union and management, union and employees and between employees themselves. Both parties to industrial relations have a common interest in industry, but many a time, they are found to be pulling in different a direction which leads to industrial unrest. The creation and maintenance of good relations between the workers and the management is the very basis on which the development of industrial democracy depends.
The primary objective of industrial relations is to maintain good and healthy relations between the workers and the management in the enterprise. Some of the important objectives are listed below.43

a) To promote healthy labour management relations.
b) To protect the interest of employees as well as management by securing the highest level of mutual understanding and goodwill among them.
c) To raise productivity to a higher level is the need of the day and to contribute to the economic development of the country.
d) To check industrial conflicts and minimize the occurrence of strikes, lockouts and gheraos.
e) To minimize labour turnover and absenteeism by providing job satisfaction to the workers.
f) To facilitate and develop industrial democracy based on workers partnership in management of industry.
g) To establish Government control over industries to regulate production and industrial relations.

**Industrial Unrest**- Industrial peace in a country is an important precondition for its industrial development. Industrial peace implies the existence of harmonious relationship between the management and the workers. Industrial unrest refers to discontent and conflict between employers and employees. It takes the shape of strikes, lock-outs, demonstrations etc.

**Industrial Dispute**- is the most acute problem in industrial organizations because it endangers peace in the industry. Some of the symptoms of industrial unrest are high labour turnover, disciplinary problems, absenteeism, low morale, restriction of output etc.

According to Sec. 2 of the Industrial Dispute Act, 1947, “Industrial dispute means any dispute or difference between employers and employers or
between employers and workmen or between workmen and workmen, which is connected with the employment or non-employment or the terms of employment or with the conditions of labour of any person.”

The important causes of industrial disputes are either (a) economic or (b) non-economic causes.

a) Economic Causes
   i). Wages, bonus and allowances
   ii). Conditions of work and employment
   iii). Working hours
   iv). Leave and holidays with pay
   v). Unjust retrenchment

b) Non-Economic Causes
   i). Recognition of trade unions
   ii). Victimization of workers
   iii). Ill-treatment by supervisory staff
   iv). Political causes, etc.

During 2008-09, 3143 industrial disputes were registered in Kerala. At the end of the year, there were 5962 cases along with the pending disputes of previous year which is less than 6.6% of current year. A total of 3192 disputes were settled during the year under review. Due to strike and lockout 74,264 workers were affected which led to loss of 12,46,572 man days.

Poor industrial relations are harmful to the employer, employee and to the society. It reduces productivity of labour and lead to rise in cost of production. Many of the workers loose jobs and promotions. They get frustrated and demoralized. Employers face resistance to changes in technology and organizational structure. Therefore, industrial strike has multiplier effect on the economy and society. So it is the duty of the management to find measures for maintaining good industrial relations. Following are some of the measures to maintain sound industrial relations:
i). Collective Bargaining

ii). Participative Management

iii). Grievance Procedure etc.

3.1.31 Collective Bargaining

The role of collective bargaining for solving the problems arising at the plant or industry level has been widely recognized. It is considered as the cornerstone of good industrial relations. It is the process in which the terms and conditions of employment are determined jointly by the employer and employee.

Collective Bargaining can be the most central activity of trade unions wherein they represent the voice of their members. The ILO Convention No.154, adopted in 1981, defines collective bargaining in Article 2 as follows:

The term “collective bargaining” extends to all negotiations which take place between an employer, a group of employers or one or more employers’ organizations, on the one hand, and one or more workers’ organizations on the other, for (a) determining working conditions and terms of employment; and/or (b) regulating relations between employers and workers; and/or (c) regulating relations between employers or their organizations and a workers’ organisation or workers’ organisations.\(^{44}\)

Collective bargaining helps to promote cooperation and mutual understanding between the workers and the management. It provides a framework for deciding the terms and conditions of employment without resort to strikes and lockouts and without the intervention of outsiders. But the progress of collective bargaining in India is not very encouraging. The major emphasis of both unions and employers is to settle the disputes through adjudication.

3.1.32 Workers Participation in Management (WPM)

The modern thinking on management is based on considering workers not merely as wage-earners, but also as equal partners in the productive
process. They should be given the opportunity to participate in the management of the enterprise. Their views and suggestions should be given due consideration while taking decisions by the management. It is rightly suggested that management of industrial units will be smooth and efficient if workers are associated with the management.

Involvement of employees in the decision-making process has been termed variously as industrial democracy, employee participation, participative management and workers’ participation in management. Whatever term is used, the objective is to involve subordinates in decision making at various levels. No scheme of WPM would be successful, unless management is sincerely willing to share power. The principal forms through which workers participate are, information sharing, joint consultation and suggestion schemes.

3.1.33 Grievance Procedure

Every employee has certain expectations which he thinks must be fulfilled by the organisation he is working for. When the organisation fails to do this, he develops a feeling of discontent or dissatisfaction. When an employee feels that something is unfair in the organisation, he is said to have a grievance.

According to Walter Bear, “The grievance procedure is problem-solving, dispute-settling machinery which has been set up following an agreement to that effect between labour and management. It is the means by which a trade union or an employee makes and processes his claim that there has been a violation of the labour agreement by the company.” Grievances may occur for a number of reasons:

i). Economic: Wage fixation, overtime, bonus, wage revision, etc.

ii). Work environment: Poor physical conditions of workplace, tight production norms, defective tools and equipment, unfair rules, lack of recognition etc.
iii). Supervision: Relates to the attitude of the supervisor towards the employee such as perceived notions of bias, favoritism, nepotism, caste affiliation, regional feelings.

iv). Work group: Employee is unable to adjust with his colleagues.

v). Miscellaneous: Violations in respect of promotions, safety methods, transfer, disciplinary rules, fines, granting leave, medical facilities, etc.

The following guidelines may help a supervisor while dealing with grievances: 46

a) Treat each case as important and get the grievance in writing.

b) Talk to the employee directly; encourage him to speak the truth. Give him a patient hearing.

c) Discuss in a private place. Ensure confidentiality, if necessary.

d) Handle each case within a time frame.

e) Control your emotions, your remarks and behaviour.

f) Maintain proper records and follow up the action taken in each case etc.

An HR Manager should be a person having well acquainted with the above theoretical aspects of HRM and recognize that the employees are come to the workplace not only with technical skills, soft skills and knowledge but also with their personal feelings, perceptions, desires, attitudes and values. So, if you want to retain the best people in your organisation, focus on finding out what these people want. To recruit and retain the best people the mantra is -solicit feedback from your people to find out more about the work experience that optimize their job satisfaction and continuously strive to improvise and provide nothing but the best work climate.
3.2 Public Enterprises in India and Kerala

3.2.1 Public Enterprises in India

Almost all countries of the world have recognized the importance of State interference for sound and balanced economic development. Increasing intervention by State in the economic field has been a characteristic feature of the recent past. The public sector has played a pivotal role in the planned economic and industrial development of any country. Public Enterprises were created to prevent the concentration of economic power, to reduce the disparities of income and wealth among the people and to provide commercial surpluses for financing further economic development. In actual PEs attained the ‘Commanding heights of the economy.’

Public Enterprises are called by a variety of names like, ‘Public Sector Undertakings’, ‘Nationalized Industries’, ‘Socialized Industries’, ‘State-Owned Industries’, ‘State Enterprises’, ‘Government Concerns’ etc. In foreign countries, the term has been used in conformity with their political and administrative structures. They are known as Public Corporation (Great Britain), Crown Corporation (Canada), Statutory Corporation (Australia), Government Sponsored Corporation (Pakistan), Government Corporation (USA) etc.

The Public Sector Undertakings evolved in India after the attainment of independence in 1947. India adopted the mixed economy approach for economic development allowing for the role of both Public Sector and Private Sectors. Guided by economic Planning (Five Year Plans), the Central Government and State Governments went for investments in the public sector especially in areas, where the private sector was not forthcoming. Between the Central Government and the State Governments, moreover, investments by the former have been made primarily in sectors which fall either in the Central List or the Concurrent List of the Constitution of India. Public sector investments by the State Governments /UTs, on the other hand, have been made in areas that fall in the State List of the Constitution. PEs in India is operating at three levels, namely, Central, State and Municipal. Khera⁴⁷, rightly pointed out that,
“There is hardly any country today in which the Government is not engaged actively and directly in the setting up and management of economic and industrial enterprises.” The importance of Public Sector is stressed by Hanson by saying that, “Public enterprise without a plan can achieve something: a plan without public enterprise is likely to remain on paper.”

Definition: - S.S. Khera contends that “By public enterprise is meant the industrial, commercial and economic activities carried on by the Central Government or by a State Government or jointly by the Central Govt. and a State Govt. and in each case either solely or in association with private enterprise, so long as it is managed by a self contained management.”

3.2.2 Objectives of Public Sector Undertakings in India

The growth of State Enterprises is due to a variety of motives, pressures and purposes which differ from country to country. In a country like India which has adopted mixed economy, Public Enterprises have been set up and nurtured with a view to attaining the ‘commanding heights of the economy’. Following are some of the basic objectives of PSUs in India:

a) To promote rapid economic development.
b) To achieve balanced regional development.
c) To reduce disparities of income.
d) To enhance the employment opportunities.
e) To promote exports and to earn foreign exchange.
f) To provide basic infrastructural facilities for the growth of the economy.
g) To assist the development of small and ancillary industrial units.
h) To produce items like military tanks, jet aircrafts, products needed for the defence of the country etc.
i) To ensure in the rapid economic development and industrialization of the country and create the necessary infrastructure for economic development.
3.2.3 Growth of Public Sector in India

Since 1956, there has been an impressive growth of the public sector enterprises. The amount of investment in public sector enterprises has been rapidly increasing. The growth of PEs started by the Central Government can be observed from Table 3.1. The table reveals that whereas there were 5 industrial public sector units of Central Government with a capital investment of `29 crores in 1951, the number went up to 249 in 2010 with a total capital investment of `5, 79,920 crores.

<table>
<thead>
<tr>
<th>As at the End of March</th>
<th>No. of Units</th>
<th>Total Investments (` in Crores)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1951</td>
<td>5</td>
<td>29</td>
</tr>
<tr>
<td>1961</td>
<td>47</td>
<td>950</td>
</tr>
<tr>
<td>1980</td>
<td>179</td>
<td>18150</td>
</tr>
<tr>
<td>1990</td>
<td>244</td>
<td>99330</td>
</tr>
<tr>
<td>2000</td>
<td>240</td>
<td>252745</td>
</tr>
<tr>
<td>2001</td>
<td>242</td>
<td>274114</td>
</tr>
<tr>
<td>2005</td>
<td>237</td>
<td>357849</td>
</tr>
<tr>
<td>2007</td>
<td>244</td>
<td>421089</td>
</tr>
<tr>
<td>2008</td>
<td>247</td>
<td>513532</td>
</tr>
<tr>
<td>2010</td>
<td>249</td>
<td>579920</td>
</tr>
</tbody>
</table>

Source: Public Enterprises Survey 2008-'09, Dept of Public Enterprises, Govt. of India

3.2.4 Performance of Public Enterprises in India

The performances of Public Enterprises like any other enterprises are generally judged on the profitability criterion. PEs are generally criticized on the ground that their performance has been very poor in terms of rate of return on profit made on capital investment (Table 3.2) The table reveals that in the year 1991-92 when the process of privatization or disinvestment was started, profitability of Central Public Enterprises was relatively low. Profitability measured in terms of per cent of gross profits to capital employed was 11.6 in 1991-92 and 11.4 in 1992-93. Profitability measured in
terms of net after-tax profit to capital employed was 2.3 per cent in both 1991-92 and 1992-93.

However, from 1994-95, profitability of these units has greatly improved. The ratio of gross profits to capital employed which was 11.6 percent in 19991-92, rose to around 14 per cent in 1994-95 and to 16 per cent in 1995-96. Thereafter, rate of gross profits to capital employed has risen to 16.2 per cent in 2001-02, 17.7 per cent in 2002-03 and 21.5 per cent in 2004-05. Corresponding ratio of net profit after tax to capital employed has risen to 6.7%, 7.8% and 13.0% in 2001-02, 2002-03 and 2004-05 respectively.

### Table 3.2: Profitability of Working of Central Public Sector Undertakings

<table>
<thead>
<tr>
<th>Year (End March)</th>
<th>No. of Units</th>
<th>Capital Employed (Crore)</th>
<th>Gross Profits before tax</th>
<th>Net Profits after tax</th>
<th>Rate of Return:Gross Profits to Capital</th>
<th>Net Profits after tax to Capital (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1991-92</td>
<td>237</td>
<td>1,17,991</td>
<td>13,675</td>
<td>2,355</td>
<td>11.6</td>
<td>2.0</td>
</tr>
<tr>
<td>Eighth Plan 1992-93</td>
<td>239</td>
<td>1,40,110</td>
<td>15,957</td>
<td>3,271</td>
<td>11.4</td>
<td>2.3</td>
</tr>
<tr>
<td>1993-94</td>
<td>240</td>
<td>1,59,836</td>
<td>18,555</td>
<td>4,544</td>
<td>11.6</td>
<td>2.8</td>
</tr>
<tr>
<td>1994-95</td>
<td>241</td>
<td>1,62,451</td>
<td>22,630</td>
<td>7,187</td>
<td>13.9</td>
<td>4.4</td>
</tr>
<tr>
<td>1995-96</td>
<td>239</td>
<td>1,73,948</td>
<td>27,587</td>
<td>9,574</td>
<td>15.9</td>
<td>5</td>
</tr>
<tr>
<td>1996-97</td>
<td>236</td>
<td>2,31,178</td>
<td>30,915</td>
<td>10,188</td>
<td>13.4</td>
<td>4.4</td>
</tr>
<tr>
<td>Ninth Plan 1997-98</td>
<td>236</td>
<td>2,49,855</td>
<td>37,206</td>
<td>13,582</td>
<td>14.9</td>
<td>5.4</td>
</tr>
<tr>
<td>1998-99</td>
<td>235</td>
<td>2,65,093</td>
<td>39,727</td>
<td>13,203</td>
<td>15.0</td>
<td>5.0</td>
</tr>
<tr>
<td>1999-2000</td>
<td>232</td>
<td>3,02,947</td>
<td>42,270</td>
<td>14,331</td>
<td>13.9</td>
<td>4.7</td>
</tr>
<tr>
<td>2001-2002</td>
<td>231</td>
<td>390,162</td>
<td>63,190</td>
<td>25,978</td>
<td>16.2</td>
<td>6.7</td>
</tr>
<tr>
<td>Tenth Plan 2002-03</td>
<td>227</td>
<td>4,17,931</td>
<td>73,374</td>
<td>32,399</td>
<td>17.7</td>
<td>7.8</td>
</tr>
<tr>
<td>2003-04</td>
<td>227</td>
<td>4,52,910</td>
<td>95,120</td>
<td>53,084</td>
<td>21.0</td>
<td>11.7</td>
</tr>
<tr>
<td>2004-05</td>
<td>227</td>
<td>5,04,826</td>
<td>1,08,491</td>
<td>65,429</td>
<td>21.5</td>
<td>13.0</td>
</tr>
<tr>
<td>2005-06</td>
<td>244</td>
<td>4,03,706</td>
<td>NA</td>
<td>69,536</td>
<td>NA</td>
<td>NA</td>
</tr>
<tr>
<td>2006-07</td>
<td>244</td>
<td>4,21,089</td>
<td>NA</td>
<td>81,550</td>
<td>NA</td>
<td>NA</td>
</tr>
</tbody>
</table>

Source: Public Enterprises Survey, 2008
3.2.5 Highlights of the Performance of CPSEs, during 2009-10

The Public Enterprises Survey (2009-10), report on the performance of CPSEs was summarized as mentioned below:

There were 249 CPSEs under the administrative control of various Ministries/Departments as on 31.3.2010. Out of these 249 CPSEs, 217 have been in operation and 32 CPSEs have yet to commence business. Out of the 217 operating CPSEs 158 showed profits during 2009-10 and 59 incurred losses during the year. The cumulative investment, which was `29 crores in 5 enterprises as on 31.3.1951, has gone up to `579920 crores in 249 CPSEs as on 31.3.2010. While ‘investment’ in all the CPSEs went up by 12.93% in 2009-10 over 2008-09, the increase in ‘capital employed’ went up by 14.73% during the same period (Table 3.3) The ‘net profit‘ of profit making CPSEs was `108435 crores in 2009-10. The net loss of loss making enterprises (59) stood at `15842 crores during the year.

Table 3.3: Performance of CPSEs during 2009-10

<table>
<thead>
<tr>
<th>Sl.No.</th>
<th>Particulars</th>
<th>2009-10</th>
<th>2008-09</th>
<th>% change over previous year</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Investment (long term loan+equity)</td>
<td>579920</td>
<td>513532</td>
<td>12.93</td>
</tr>
<tr>
<td>2.</td>
<td>Capital Employed</td>
<td>910120</td>
<td>793240</td>
<td>14.73</td>
</tr>
<tr>
<td>3.</td>
<td>Total Turnover</td>
<td>1235060</td>
<td>1271529</td>
<td>-2.87</td>
</tr>
<tr>
<td>4.</td>
<td>Profit of Profit Making CPSEs</td>
<td>108435</td>
<td>98488</td>
<td>10.10</td>
</tr>
<tr>
<td>5.</td>
<td>Loss of Loss Making CPSEs</td>
<td>15842</td>
<td>14621</td>
<td>8.35</td>
</tr>
<tr>
<td>6.</td>
<td>Dividend Declared</td>
<td>33223</td>
<td>25501</td>
<td>30.28</td>
</tr>
<tr>
<td>7.</td>
<td>Corporate tax</td>
<td>40007</td>
<td>33828</td>
<td>18.27</td>
</tr>
<tr>
<td>8.</td>
<td>Interest paid</td>
<td>35720</td>
<td>39300</td>
<td>-9.11</td>
</tr>
<tr>
<td>9.</td>
<td>Contribution to Central Exchequer</td>
<td>139828</td>
<td>151543</td>
<td>-7.73</td>
</tr>
<tr>
<td>10.</td>
<td>Foreign Exchange Earnings</td>
<td>77745</td>
<td>74206</td>
<td>4.77</td>
</tr>
<tr>
<td>11.</td>
<td>Foreign Exchange Outgo</td>
<td>420477</td>
<td>433332</td>
<td>2.97</td>
</tr>
<tr>
<td>12.</td>
<td>Number of Employees</td>
<td>1490699</td>
<td>1535531</td>
<td>-2.79</td>
</tr>
</tbody>
</table>
The Department of Public Enterprises (DPE) presents to Parliament every year a comprehensive report known as the Public Enterprises Survey on the financial and physical performance of Central Public Sector Enterprises (CPSEs) in the country. As per the DPE report a lion’s share of the investment in these enterprises has gone into infrastructure projects also called ‘public utilities’. Although these enterprises are often monopolies, they operate at a price disadvantage as they have to work under an administered price regime. Despite rise in inputs costs, prices of goods and services of these enterprises have not been correspondingly raised for years. This has been one of the reasons for their losses.

The Indian economy has been on a high growth trajectory, in recent years. It is important to ensure that there are no supply constraints to maintain the growth momentum. In this perspective, the public sector enterprises, especially those in the infrastructure sector have a very important role to play.

### 3.2.6 Public Enterprises in Kerala

Kerala, the southern most state of the Indian Union was formulated on the basis of the Malayalam language on November 1, 1956 as per the Re-organization Act of 1956. The State has cent percent literacy and excellent and intelligent workforce. The only way to sustain the high level of human development already achieved and to take it forward is to industrialize the State. With the tertiary sector expanded to its limit, the key to progress and development lies in industrialization be it in the public or private sector. The road ahead for Kerala is the road to industrialization. Even though the State had many large Private Sector Undertakings, the private sector as a whole, did not have the financial resources for massive investment, particularly in the core sectors.
It is noteworthy that the qualities of our highly intelligent and competent manpower do not reflect in the performance of the Public Sector Undertakings. During 2009-'10 out of the 84 active enterprises 30 units have reported losses amounting to `336.13 crore. The Ministry of Finance has extended a very supporting hand for the rejuvenation of the PSUs. During the last four years there was a budgetary support of `210.81 crores for the rejuvenation and modernization of PSUs. Utilization of this amount is given in Table 3.4.

Table 3.4: Utilization of Budgetary Support from 2006-'07 to 2009-'10
(` in crores)

<table>
<thead>
<tr>
<th>Sl.No.</th>
<th>Particulars</th>
<th>2006-07</th>
<th>2007-08</th>
<th>2008-09</th>
<th>2009-10</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>OTS with banks/F/s</td>
<td>11.18</td>
<td>28.39</td>
<td>20.88</td>
<td>17.71</td>
<td>78.16</td>
</tr>
<tr>
<td>2.</td>
<td>Settlement of balance VRS</td>
<td>14.30</td>
<td>9.59</td>
<td>5.91</td>
<td>1.58</td>
<td>31.38</td>
</tr>
<tr>
<td>3.</td>
<td>Modernization/revival</td>
<td>12.73</td>
<td>5.93</td>
<td>24.53</td>
<td>19.56</td>
<td>62.75</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>53.01</td>
<td>48.53</td>
<td>59.44</td>
<td>49.83</td>
<td>210.81</td>
</tr>
</tbody>
</table>

Source: Synergizing PSUs-Annual Review meet April, 2009, Dept. of Industries & Commerce, Govt. of Kerala.

The State Level Public Enterprises (SLPEs) have played a very important role in the economic development and providing infrastructure services including, power supply, road transportation and irrigation in the different parts of the State. Some SLPEs are promotional in nature providing cheap credit to target groups and extending marketing support to small and village enterprises. Since these enterprises have been set up as ‘corporation’ or as ‘companies’, they are by design ‘autonomous’ bodies.

**Definition of SLPEs**-The Standing Committee of Secretaries of Department/Bureau of Public Enterprises in States/UTs, in its meeting held in New Delhi on 27th-28thApril, 2011 decided to adopt the following definition of State Level Public Enterprises (SLPEs):

i). Companies under the State Government as defined under Section 617 of the Companies Act, 1956, whereby the State Government
owns equity more that 50% in the total shareholding of the company.

ii). Statutory corporations established under the Act of State Legislature.

iii). Subsidiary companies of these government companies (i, &ii above).

iv). Any other enterprise so categorized by the State Government (e.g. Companies/Boards/Authority/Co-operative)

As per the Annual Review of State Level Public Enterprises (SLPEs) published by the Bureau of Public Enterprises, Government of Kerala 2009-'10 there are 114 PSUs. Out of these 114 PSUs twenty units are merged, transferred, liquidated or closed. Another 10 have been closed down in the past. So there are only 84 active working SLPEs. Based on the field and type of activity, the 84 active SLPEs are grouped in to 14 sectors depending on their field and type of activity. The 14 sectors and the number of enterprises in each sector are indicated below (Table 3.5)

Table 3.5: Sector wise classification of SLPEs in Kerala

<table>
<thead>
<tr>
<th>Sector No.</th>
<th>Sector</th>
<th>No. of SLPEs</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Development &amp; Infrastructural Agencies</td>
<td>18</td>
</tr>
<tr>
<td>2</td>
<td>Ceramics and Refractories</td>
<td>2</td>
</tr>
<tr>
<td>3</td>
<td>Chemical Industries</td>
<td>8</td>
</tr>
<tr>
<td>4</td>
<td>Electrical Equipment</td>
<td>4</td>
</tr>
<tr>
<td>5</td>
<td>Electronics</td>
<td>3</td>
</tr>
<tr>
<td>6</td>
<td>Engineering</td>
<td>8</td>
</tr>
<tr>
<td>7</td>
<td>Plantation &amp; Agro Based Units</td>
<td>12</td>
</tr>
<tr>
<td>8</td>
<td>Textiles</td>
<td>3</td>
</tr>
<tr>
<td>9</td>
<td>Wood Based Industries</td>
<td>1</td>
</tr>
<tr>
<td>10</td>
<td>Traditional Industries</td>
<td>7</td>
</tr>
<tr>
<td>11</td>
<td>Trading Units</td>
<td>2</td>
</tr>
<tr>
<td>12</td>
<td>Welfare Agencies</td>
<td>9</td>
</tr>
<tr>
<td>13</td>
<td>Public Utilities</td>
<td>6</td>
</tr>
</tbody>
</table>
3.2.7 Ownership

Of the 84 enterprises which are active, eight are statutory bodies, while 52 are fully owned by the Government of Kerala. Eight enterprises are jointly owned by the State and Central Governments. Details of the status of ownership of the enterprises are indicated in Table 3.6. Among the 84 enterprises information is not available from three units. So working PEs which have provided and published sufficient information to the Government of Kerala is eighty one numbers.

Table 3.6: Status of Ownership of State Level Public Enterprises

<table>
<thead>
<tr>
<th>Sl.No</th>
<th>Status of Ownership</th>
<th>No. of SLPEs</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Statutory Bodies</td>
<td>8</td>
</tr>
<tr>
<td>2.</td>
<td>Wholly owned by the Government of Kerala</td>
<td>52</td>
</tr>
<tr>
<td>3.</td>
<td>Joint ownership of State &amp; Central Government</td>
<td>8</td>
</tr>
<tr>
<td>4.</td>
<td>Joint ownership of Government of Kerala &amp; Public</td>
<td>8</td>
</tr>
<tr>
<td>5.</td>
<td>Joint ownership of Govt. of Kerala, Financial Institutions &amp; Public</td>
<td>5</td>
</tr>
<tr>
<td>6.</td>
<td>Joint ownership of Govt. of Kerala, Financial Institutions, Public &amp; Foreign firms</td>
<td>2</td>
</tr>
<tr>
<td>7.</td>
<td>Joint ownership of Govt. of Kerala and Urban Local Bodies</td>
<td>1</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>84</td>
</tr>
</tbody>
</table>

Source: A Review of Public Enterprises in Kerala, 2009-2010, Bureau of Public Enterprises

The administrative control of the SLPEs vest with different government departments. Thirty nine enterprises are under the industries department followed by 12 under the agriculture department. The number of SLPEs under the different departments is summarized in Table 3.7.
Table 3.7: Administrative Departments of the SLPEs

<table>
<thead>
<tr>
<th>Sl.No.</th>
<th>Administrative Department</th>
<th>No. of SLPEs</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Agriculture</td>
<td>12</td>
</tr>
<tr>
<td>2</td>
<td>Coastal Shipping &amp; Inland Navigation</td>
<td>1</td>
</tr>
<tr>
<td>3</td>
<td>Cultural Affairs</td>
<td>1</td>
</tr>
<tr>
<td>4</td>
<td>Finance</td>
<td>1</td>
</tr>
<tr>
<td>5</td>
<td>Fisheries &amp; Ports</td>
<td>2</td>
</tr>
<tr>
<td>6</td>
<td>Food, Civil Supplies &amp; Consumer Affairs</td>
<td>1</td>
</tr>
<tr>
<td>7</td>
<td>Forest &amp; Wild Life</td>
<td>1</td>
</tr>
<tr>
<td>8</td>
<td>Tourism</td>
<td>3</td>
</tr>
<tr>
<td>9</td>
<td>General Education</td>
<td>1</td>
</tr>
<tr>
<td>10</td>
<td>Health &amp; Family Welfare</td>
<td>1</td>
</tr>
<tr>
<td>11</td>
<td>Home</td>
<td>1</td>
</tr>
<tr>
<td>12</td>
<td>Housing</td>
<td>1</td>
</tr>
<tr>
<td>13</td>
<td>Industries</td>
<td>39</td>
</tr>
<tr>
<td>14</td>
<td>Labour &amp; Rehabilitation</td>
<td>2</td>
</tr>
<tr>
<td>15</td>
<td>Local Self Government</td>
<td>1</td>
</tr>
<tr>
<td>16</td>
<td>Power</td>
<td>2</td>
</tr>
<tr>
<td>17</td>
<td>Public Works</td>
<td>2</td>
</tr>
<tr>
<td>18</td>
<td>General Administration (Sainik Welfare)</td>
<td>1</td>
</tr>
<tr>
<td>19</td>
<td>Sc/SC Development</td>
<td>3</td>
</tr>
<tr>
<td>20</td>
<td>Social Welfare</td>
<td>2</td>
</tr>
<tr>
<td>21</td>
<td>Taxes</td>
<td>3</td>
</tr>
<tr>
<td>22</td>
<td>Transport</td>
<td>2</td>
</tr>
<tr>
<td>23</td>
<td>Water Resources</td>
<td>1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>84</strong></td>
</tr>
</tbody>
</table>

Source: A Review of Public Enterprises in Kerala, 2009-2010, Bureau of PEs

In Kerala, out of the eighty-four working PEs (Feb. 2010 Review), thirty units are making heavy losses. In the Industrial sector, fourteen out of thirty nine units are running on heavy accumulated losses. So these units are considered to be sick industrial units.

Sec 3(1) (o) of the Sick Industrial Companies (Special Provisions) Act 1985, defines a sick company as, “Industrial company (being a company registered for not less than five years) which has at the end of any financial
Human Resource Management – Conceptual Issues with Special Reference ...

year accumulated loss equal to or exceeding its entire net worth and which has also suffered cash losses in such a financial year, and the financial year immediately preceding such financial year.

By The Companies (Second Amendment) Act, 2002 defines a sick company as one:

a) Which has accumulated losses in any financial year equal to 50 percent or more of its average net worth during four years immediately preceding the financial year in question, or

b) Which has failed to repay its debts within any three consecutive quarters on demand for repayment by its creditors.

Here the term net worth is equal to paid up capital plus reserves & surpluses minus [preliminary expenses, accumulated loss, miscellaneous expenditure not written off and intangible assets (as given in Balance Sheet)].

Sickness in the industrial sector is a burning problem in the country, especially in Kerala. The Causes of this industrial sickness are not only many but also different from region to region and industry to industry and therefore, there is need to study the causes and find out remedies so as to rehabilitate the ones which are viable in order to avoid unnecessary waste of resources. This rapid growth of sick units in recent years has caused concern among the planners, policy makers, financiers and academics. It is no doubt that a lot of measures have been undertaken at the Government (both Central and State) level to contain this growing malady. One of the measures taken over by the Kerala Government is the appointment of a body named Public Sector Restructuring and Internal Audit Board (RIAB).

3.2.8 Public Sector Restructuring and Internal Audit Board (RIAB)

RIAB, constituted in 1994, executes State Owned Enterprise Reform Initiative and is functioning under the Industries Department. It has worked
in association with National and International Agencies such as Common Wealth Secretariat, Commonwealth Association for Corporate Governance, Global Corporate Governance Forum, UNDP and the Academy of Corporate Governance. RIAB also carries out macro level fund management and monitoring and performance management of State Owned Enterprises (SOEs). The following activities are being carried out by RIAB:

a) Monitoring performance and status of audit completion in SLPEs under the Industries Department.

b) Appraisal of proposal submitted by the SLPE’s.

c) Management of fund flow to PSU’s and monitoring.

d) Performance audit in SLPEs.

e) Conducting studies for PSU restructuring, preparation of packages, modernization of technology.

f) Institution of systems for good Corporate Governance, HRD and capacity building in public services provider. Linking with national and international institutions (Commonwealth Secretariat, UNDP, University Centre, Asian Productivity Organization etc.).

g) Implementation of good governance systems.

h) Conducting Training /Capacity Building Programme.

i) Conducting events related to Public Sector Governance (Annual Review Meet, Award for Best PSU, Best CEO, Best Industrial Journalist and Trade Union Meet etc.).

3.2.9 An Overview of the Performance of SLPEs in Kerala for the Last Ten Years (From 2001-02 to 2009-10)

In the year 2000-'01, 98 Government Companies and 9 statutory bodies were operating in the State. A total of 1,28,022 employees were working in
these units. The total paid up capital of these units was `4792.4788 crores and the total capital invested was `15536.07 crores. Out of the 107 units, only 35 units’ generated profits and the remaining 64 suffered from losses.

In the year 2001-'02, the total number of SLPEs in the State was 107 with a total of 1,22,824 personnel. There was an increase in the paid up capital and the total capital invested. Thirty eight units generated profits and fifty units incurred a loss of `511.60 crores. The overall working of these units showed a negative result of `218.07 crores.

During 2002-'03, 1,10,882 employees were working in 104 Public Sector Units in the State. Even when the total capital invested increased to 17760.43 crores, the number of profit making units declined to 33 units which resulted a further increase in the net loss.

In 2003-'04, the total employment was 1,12,346. The total capital invested was `19454.81 crores. Out of the 104 units, 40 units generated profit of `288.19 crores. The net loss during this year was `227.16 crores.

With a capital investment of `19052.81 crores the year 2004-'05 saw 39 units making profits out of the total 104 units. Unlike the previous years the overall working result of this year shows a decrease in the net loss.

During 2005-'06, the total employment of the PEs in the State was 1,11,904. The total capital invested and the total profit earning units declined to `.18779.53 crores and 32 respectively. The net loss during this period was 198.15 crores.

In the year 2006-'07, the total number of PEs operating in the State was 105 with a total capital investment of `16892.65 crores. The total
employment of the year was 1,09,699. Of these 105 units, 49 units generated profit of `542.44 cores and 37 units incurred losses amounting to `402.47 crores. Unlike the previous years the overall result of the year showed a profit of `139.97 crores.

In the year 2007-08 there was a big change in the total number of SLPEs from 105 to 84. The total number of employment during the period was 1,07,728. The total paidup capital and the capital invested were `7,203.02 crores and `17,744.01 crores respectively. Out of the total units fifty two units generated profits worth `796.04 crores. The overall result of these units shows a profit of `155.87 crores.

During 2008-09, the total capital investment was `18245.57 crores and the total employment was 1,23,290 numbers. Out of the total 84 units fifty three units generated profits. The net profit for the year was `490.36 crores.

In the year 2009-10 sixty units out of the total 84 units generated profit of `978.77 crores. The total capital invested and the total employments were `20,200.01 crores and 1,29,463 numbers respectively. The net profit of the year was `666.38 crores. (Table 3.8)
### Table 3.8: An Overview of Performance of Public Enterprises in Kerala for the Last Ten Years

(Amount in Rs. Crores)

<table>
<thead>
<tr>
<th>Year</th>
<th>No of Units</th>
<th>Total Employment</th>
<th>Paid up Capital</th>
<th>Capital Invested</th>
<th>Units on Profit</th>
<th>Units on Loss</th>
<th>Not annual Profit/Loss (+/-)</th>
<th>Dividend Declared</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>No of Units</td>
<td>Amount</td>
<td>No of Units</td>
<td>Amount</td>
</tr>
<tr>
<td>2000-01</td>
<td>98</td>
<td>64448</td>
<td>1380 38</td>
<td>3820.75</td>
<td>32</td>
<td>235.85</td>
<td>60</td>
<td>288.67</td>
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<tr>
<td>2001-02</td>
<td>98</td>
<td>61087</td>
<td>1385 56</td>
<td>4081.97</td>
<td>35</td>
<td>260.26</td>
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<td>95</td>
<td>53960</td>
<td>1441 24</td>
<td>4716.71</td>
<td>31</td>
<td>203.30</td>
<td>51</td>
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<tr>
<td>2003-04</td>
<td>95</td>
<td>54625</td>
<td>1491 35</td>
<td>5790.41</td>
<td>38</td>
<td>194.56</td>
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<tr>
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<td>95</td>
<td>50505</td>
<td>1525 72</td>
<td>5982.14</td>
<td>37</td>
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<td>45</td>
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<td>51180</td>
<td>1561 79</td>
<td>6220.13</td>
<td>29</td>
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<td>50261</td>
<td>1579 93</td>
<td>660960</td>
<td>46</td>
<td>311.57</td>
<td>33</td>
<td>83.71</td>
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<td>76</td>
<td>52609</td>
<td>1672 14</td>
<td>7078.00</td>
<td>48</td>
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<td>54752</td>
<td>1777 44</td>
<td>7098.94</td>
<td>49</td>
<td>504.63</td>
<td>25</td>
<td>59.85</td>
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<tr>
<td>2009-10</td>
<td>76</td>
<td>56349</td>
<td>1892 46</td>
<td>7489.68</td>
<td>56</td>
<td>662.50</td>
<td>18</td>
<td>32.55</td>
</tr>
</tbody>
</table>

**A. Government Companies**

**B. Statutory Bodies**

Note: 1. Column (2) = Column (6) - Column (8). The difference if any is due to information not available not available or units remained inactive
2. Data for the year 2007-08, 2008-09 & 2009-10 excludes the units closed/under liquidation during the past years

*Source: A Review of Public Enterprises in Kerala 2009-2010, Bureau of Public Enterprises*


…. sources …. 