INTRODUCTION

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1.1 Introduction

The ‘Globe’ has become a village where the ‘survival of the fittest’ has been replaced by the ‘survival of the fastest.’ Survival and efficiency of an organization, more than on anything else, depends on the zeal and competence of the employee to meaningfully strive adverse environment. A competent, well educated, diligent, intelligent, motivated and satisfied employee is an asset to the organization. Mr.Narayana Murthy, the Chief Mentor of Infosys remarked once: “Our assets walk out of the door each evening. We have to make sure that they come back the next morning.” Big players are looking for ‘Smart Workers’ rather than ‘Hard Workers.’ So the development of human resources has embraced new challenges in current business world. The failure to recognize the importance of human resources causes immense loss to the nation, enterprise and the individual.

Human beings are the dynamic elements of management. The success of an enterprise depends on the caliber and motivation of its personnel. Human resource is now recognized and utilized as the most valuable of all organizational assets. The resources of men, money, materials and machinery are collected, co-ordinated and utilized through people. According to L.F. Urwick, “Business houses are made or broken in the long run not by markets or capital, patents or equipment but by men.” Of all the resources, manpower is the only resource which does not depreciate with the passage of time.

The greatest strength of India is its rich and abundant human resource. The prosperity of a nation or an organization depends on the proper development and utilization of its human resources, as all other resources can be generated by a well motivated human resource. Organizational growth, change and success ultimately depend on the actions of human resources.

Organizations around the world are remodeling themselves as they respond to the challenges presented by the global economy. Success in today’s competitive business environment is increasingly a result of effective human
resource management. Structure and technology can be easily duplicated. But the most important defining factor that sets apart an organization (whether in manufacturing or services, or in the private or public sector) is its people. The quality of the organization’s employees, their enthusiasm for and satisfaction with their jobs, and their sense of fair treatment all significantly impact on the firm’s productivity, level of customer service, reputation and survival.

Personnel management and traditional management of industrial relations are not sufficient to unleash the hugely untapped human potential in the organization. Therefore there exists the need to adopt a fresh approach to human resource management, especially to release and enhance the productive energies of the employees for achieving the pre-determined organizational objectives.

Even though India is the second fastest and the fourth largest economy in the world, we are unable to meet the burgeoning demand and supply of basic, social and economic infrastructure services. Infrastructure shortage is a constraining factor in sustaining and expanding India’s economic growth and also making it inclusive of the poor. The government of India is now committed to raising the investments in infrastructure limit so that we can experience an exponential growth in the sector. The infrastructure sector in India is largely dominated by public sector undertakings and department-owned enterprises. But the overall performance of the public sector enterprises has not measured up to the expectations of the Government, policy makers and of course the people. The returns of the Public Enterprises (PEs) are too small, given the huge investments that have gone into their establishment and upkeep. It is high time the Government sought means to improve the efficiency of public enterprises, transform them into vibrant organizations and to make them commercially viable. We all know that the public money is invested in them and that must be utilized economically. We should diagnose the maladies that have affected these units and take corrective measures on a war-footing. Having been acquainted with these
elements, public sector units are identified as the best choice for conducting a study on human resource management in the present research work.

1.2 The Research Problem

The industrial sector in India has undergone a sea change due to the globalization of trade, liberalization of business and the resultant competitive market economy. Indian industries, especially the public sector undertakings, are greatly affected in the changing scenario because of disinvestment, privatization, restructuring, closure, inflow of Foreign Direct Investments (FDIs), etc. They also experience downsizing, greater use of contract labour, outsourcing and externalization. These changes directly or indirectly influence the attitude and behavior of the working people. HR professionals working in call centers, the BPO industry, Public Enterprises and even in the IT industry all over the world are trying to formulate retention strategies with little success. Managing the human resources has become a dynamic and challenging task of industrial organizations, all the more so in the case of sick public sector units. It is often debated whether poor management of human resources is the root cause of the ailing public sector undertakings in Kerala.

Almost all countries of the world have recognized the importance of State interference for sound and balanced economic development. The public sector has occupied a pivotal position in the Indian economy, especially in Kerala. At present Kerala has the highest number of state owned enterprises. However, the performance of many public sector units in Kerala does not favorably compare with that of national ones and naturally their output is lower than the National average. A good number of them are running on negative net worth with cash losses. There are 114 State Level Public Enterprises (2010 Review), of which thirty have been merged, transferred, liquidated or closed and the balance 84 are existing. These enterprises are grouped into 14 sectors depending upon their field and type of activity. Out of the total 84 working enterprises, only 60 enterprises have earned profits during the financial year 2009-2010. The remaining ones have reported loss.
to the tune of `312.39 crores. Out of the 39 public enterprises under Industries Department, 14 are running on huge accumulated losses. The working of the public sector enterprises has been subject to severe criticisms from all sections of the society. The public sector which has to play the role of spearheading development in key areas and mobilizing resources for faster economic development can fulfil its objectives only if it operates efficiently.

One of the greatest problems faced by our government is to figure out ways to improve the performance of these public enterprises and rehabilitate the sick ones. The biggest cause of industrial sickness is the managerial inefficiency and the existence of hereditary management. The Ministry of Finance has extended a very supporting hand for the rejuvenation of these Public Sector Undertakings. During the last five years, an amount of `312.65 crores was spent by the State for reforming these sick public enterprises.

The rehabilitation packages provided by the State Government for the sick PEs comprises rescheduling of debt, sanction of additional term loans for installation of new machineries, enhancement of working capital limit, etc. However, no concrete measure has been taken yet to improve the management efficiency, marketability of products, power and raw materials supply to these units. Unless such steps are taken simultaneously, the rehabilitated sick units are likely to revert to sickness. Now the State Government is trying to improve the efficiency of public enterprises and wants to make these enterprises commercially viable and vibrant. There has also been a belated realization that the major shortcomings of the Public Sector Undertakings are unprofessional and unaccountable management. Unless these issues are addressed, any step taken by the Government to revive and modernize the PSUs will turn out to be a futile exercise, because they are the ‘people’ to implement the policies of the Government. So an attempt is made to locate the deficient areas in the ‘personnel management policy’ of Sick PEs in Kerala. On this theoretical perspective, the research problem is titled “A Study on the Human Resource Management of the
Introduction

Sick Public Sector Units under the Department of Industries in Kerala State.”

1.3 Significance of the Study

Any nation can stand on the world stage only on the basis of a healthy economy. A healthy economy with strong personnel will accelerate the pace of progress. For a developing country, the domestic economy depends a lot on public and private sectors. But in our country the public sector has not been performing up to expectations. The new Economic Policy envisaged by the Government since 1991 has pressurized the Indian Public Sector to perform and escape the onslaught of more efficient transnational players. In other words, the deregulated economy has issued a dire warning to the public sector: perform or perish. Out of the six objectives that underlined the creation of the public sector, the only relevant objective today is generating resources for development by earning suitable returns. They have to improve their productivity, efficiency and competitiveness and learn to live without budgetary support.

The Darwin’s Law of “Survival of the Fittest” has not lost its significance even today. To survive, one has to be at the forefront. But can one logically feel that survival is a simple matter as this pithy expression signifies? Not at all. On the contrary, survival of an organization is contingent upon a host of factors such as the zeal of employees and their collective competency to surmount challenges of rigorous competition and stringent criteria. The realization that the workforce of an organization is of paramount importance and is crucial in deciding its future has brought human resource management to the forefront of all the organizational strategies. Indian industry is waking up to the challenges thrown in by market economy. To survive in this highly competitive scenario, managers are compelled to improve quality, increase productivity, reduce waste and eliminate inefficiency. It is in this context that the collective effort of the employer and employee assumes relevance and it is the locus wherein Human Resource Management can (and does) play a crucial role.
The efficient management of human resource is one of the keys to the excellent performance of an organisation. Unfortunately this proven fact is often entirely neglected or played down in the management of public sector undertakings in our country, especially in Kerala. As per the review entitled “Synergizing PSUs” issued by Department of Industries and Commerce, Government of Kerala, on April 21, 2009, the weakest part of the PSUs is the totally unprofessional and unaccountable management. An analysis of 637 large scale units identified that deficiency in management was responsible for 52 per cent cases of sickness in Indian Public Sector Units. So a paradigm shift is required from traditional personnel function to strategic HR function in the management of public enterprises.

All Industrial units in Kerala are governed by the common policies of Government of Kerala and rules and regulations framed by the Industrial Act. Why all such policies are not made same or made applicable to one and the all industrial units in a similar fashion? What actually lies behind the scenes where one organisation excels while the other fails? The answer is ‘Human Resource Management’. The burden that human resource management carries is a crown full of thorns to frame policies and to implement them to synergize the workers and infuse a sense of unity into them without destroying individual identity.

The Global financial meltdown that started in the third quarter of 2008 has once again brought to the fore the importance of public sector enterprises in the national economy. It was generally agreed that the impact of global recession on the Indian economy was not as disastrous as in the developed capitalist countries mainly due to the existence of public sector in the crucial sectors of the economy. Having well understood the role of State Owned Enterprises in our economy, PEs was taken for the study.

India is a country characterised by backward agriculture, vast population, large-scale unemployment and underemployment and scarcity of
capital resources. In such a situation rapid industrialization is considered as the appropriate strategy to raise national output, attain self-reliance and absorb surplus labour from agriculture. Realizing the importance of industrialization as a means to achieve rapid economic growth, ‘Public Sector Industrial Units’ were considered for the study. So a study of this kind is essential to unfold the areas of inefficiencies in HR management of PEs in Kerala. Hence, the relevance of this study.

1.4 Objectives of the Study

The overall objective of the study is to assess the effectiveness of Human Resource Management in Sick Public Sector Units under the Department of Industries in Kerala State. The study was concluded to find out whether the reason for failure of PEs lies in the mismanagement of Human Resource or not. On the basis of the above theoretical perspectives, the following specific objectives were developed:

1) To study the recruitment, selection, training and development practices of sick public sector industrial units in Kerala.

2) To understand the promotion policies, industrial relations, safety and welfare measures and job satisfaction of employees in sick public sector industrial units in Kerala.

3) To understand a brief history and performance of Public Enterprises in India and Kerala.

4) To study the profile of sample units with special emphasis on their HRM practices.

5) To understand and analyze the zonal wise differences, if any, that exists in the satisfaction level of employees at different levels, on the HR practices followed in the sick public enterprises in Kerala.

6) To give suggestions on the basis of the findings and conclusions of the study.
1.5 Hypotheses

Keeping in view the objectives of the study and on the basis of the acquired knowledge from the literature review, the following hypotheses were formulated for the purpose of the study:

1) Majority of the HR professionals of sick public enterprises are not professionally qualified.

2) An effective HRM system is not prevailed in the sick industrial public sector units.

3) There is no significant difference between the opinion of the two categories of employees (workers and managers) regarding the recruitment policy followed in the sick public sector industries in Kerala.

4) Political influence adversely affects the work environment of the PSUs.

5) There is no significant difference between the opinions of the two categories of employees regarding the training programmes followed in the PEs.

6) A system for measuring the effectiveness of training programmes is almost absent in the sick PEs.

7) There is no significant difference between the opinions of the two categories of employees regarding the promotion policy followed in the PEs.

8) There is no significant difference between the opinions of the two categories of employees regarding the Performance Appraisal system followed in the PEs.

9) There is no significant difference between the opinions of the two categories of employees regarding the Industrial Relation exist in the PEs in Kerala.
10) There is no significant difference between the opinions of the two categories of employees regarding the Welfare Measures exist in the PEs.

11) There is no significant difference between the opinions of the two categories of employees regarding the Safety Measures exist in the PEs in Kerala.

12) There is no significant difference between the opinions of the two categories of employees regarding the Compensation Policy exists in the PEs in Kerala.

13) There is no significant difference between the opinions of the two categories of employees regarding the Job Satisfaction exists in the PEs in Kerala.

1.6 Variables used for the Study

The variables studied are:-

a) Recruitment and Selection
   - Imperativeness of HRM
   - Presence of HRM Department
   - Information about objectives of the Company.
   - Satisfaction on present recruitment policy
   - Sources of recruitment
   - Factors influencing selection of employees
   - Induction and placement
   - Job rotation.

b) Training and Development
   - Attendance in training.
   - Usefulness of training
   - Evaluation of training
   - Type of training demanded by employees
   - Presence of cross training
c) **Promotion and Performance Appraisal**
   - Satisfaction level on promotion.
   - Perception on promotion.
   - Satisfaction level on performance appraisal
   - Recognition for good work and giving rewards

d) **Industrial Relation**
   - Workers- top management relations
   - Workers-supervisor relations
   - Worker-worker relations
   - Employee- union relations
   - Union- management relations
   - Union- union relations
   - Future of labour management relations
   - Grievance handling procedure
   - Strikes
   - Justification of strikes that took place.
   - Causes of strikes
   - Trade unions
   - Extent of help done by trade unions to employees
   - Influence of politics in trade unions

e) **Safety and Welfare Measures**
   - Welfare Measures
   - Health and Safety Measures
   - Compensation and other benefits
   - Collective bargaining.
   - Workers Participation in Management.
   - Influence of lack of HRM on failure of an organisation.
   - Changes required to be brought about in the PEs

f) **Job Satisfaction**
   - Overall Job Satisfaction
1.7 Methodology

This descriptive study was aimed at assessing the extent of Human Resources Management practices prevailing in sick industrial public enterprises in Kerala. This study was conducted in two stages. At the first stage, secondary data was collected from published sources. In the second stage, primary data was collected from the respondents through questionnaires and discussions. The secondary data has been collected from journals, books, study reports, published government reports, websites, and various other publications and also from personal discussions with the Chief Executives of various government departments, managers, workers and trade union leaders. The important publications issued by the following institutions have been used for the study.

- The Plan documents of the Central and State Government
- Industrial and Commercial Policy of Govt. of Kerala
- Economic Review of State Planning Board
- Public Enterprises Survey Govt. of India for various years
- Review of Directorate of Industries and Commerce
- Economic Survey of Ministry of Finance, Govt. of India
- Review of Public Enterprises issued by Bureau of Public Enterprises
- Annual Reviews of various Public Enterprises in Kerala

Based on survey of the literature and an examination of the existing measures on effective HRM, a questionnaire was developed for collecting the primary data. Before that a pilot study was conducted to test the appropriateness of the questionnaire. For that 25 employees (both workers and supervisors/managers) from Traco Cable Company Limited were selected. On the basis of the pilot study, necessary modifications were made in the questionnaire and then it was finalized. Two sections are included in
the questionnaire viz. Personal data and Personnel (HRM) views. In the first section respondents were asked to indicate their gender, age, total service, qualifications and salary. Thirty nine questions were given in the second section for collecting the opinions of employees about the present HRM practice in PEs. The items mainly covered in this section were Recruitment and Selection, Training and Development, Promotion and Performance Appraisal, Industrial Relations, Safety and Welfare Measures and Job Satisfaction. The questionnaire is given in Appendix I & 11.

1.8 Selection of Sample

For selection of sample, first of all the researcher listed out the Sick Public Enterprises under the Department of Industries in Kerala State (14). In the first stage sampling, while selecting organisations, the following criteria were used.

a) Took the organisations which are coming under the Department of Industries in Kerala State.

b) The organisations have consistently reported negative net worth.

c) Organisations which completed their audit of accounts up to 2009-'10.

As per the Review of Public Enterprises published by the Bureau of Public Enterprises in Kerala (2010 Feb.) there are 14 Sick Public Enterprises under the Department of Industries in Kerala. Out of these 14 units, 4 units are located in the South Zone, 8 units in the Central Zone and 2 units in the North Zone. As it is difficult to study all these units fifty per cent of units from each zone is considered for the study. Convenience sampling method is applied in selecting the sample units. So the data used in this study were collected from 7 organizations (2 from South, 4 from Central and 1 from North) consisting of five from manufacturing sector, one from mining and one from the other sector. (Table 1.1)
Table 1.1: Selection of Sample Units

<table>
<thead>
<tr>
<th>Zone</th>
<th>Total number of sick units</th>
<th>Number of units selected for the study</th>
<th>Name of units selected for the study</th>
</tr>
</thead>
<tbody>
<tr>
<td>South</td>
<td>4</td>
<td>2</td>
<td>1. Kerala Automobiles Ltd.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>2. The Kerala Ceramics Ltd.</td>
</tr>
<tr>
<td>Central</td>
<td>8</td>
<td>4</td>
<td>3. Autokast Ltd.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>4. KSDP</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>5. Traco Cable Co. Ltd.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>6. KEL</td>
</tr>
<tr>
<td>North</td>
<td>2</td>
<td>1</td>
<td>7. SILK</td>
</tr>
<tr>
<td>Total</td>
<td>14</td>
<td>7</td>
<td></td>
</tr>
</tbody>
</table>

Since the population from which the sample is taken is not homogeneous, Stratified Sampling Technique was applied for the selection of sample employees. The total population is divided into two sub-populations (strata) namely workers and supervisors/managers of sick public enterprises. Questionnaires to the workers were translated into Malayalam (mother tongue of Kerala) for easier understanding. The population comprises 2180 workers and 455 Managers spread in 7 sick PEs selected for the study. From that 436 workers, which is 20% of the total workers and 182 managers which is 40% of total managers was selected. So a total of 618 respondents were selected and questionnaire was applied to obtain the responses. (Table 1.2)

Table 1.2: Selection of Sample Employees

<table>
<thead>
<tr>
<th>Zone</th>
<th>No. of sample units selected</th>
<th>Total employees in the sample units</th>
<th>No. of employees selected for the study</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Workers</td>
<td>Managers</td>
</tr>
<tr>
<td>South</td>
<td>2</td>
<td>364</td>
<td>85</td>
</tr>
<tr>
<td>Central</td>
<td>4</td>
<td>1716</td>
<td>326</td>
</tr>
<tr>
<td>North</td>
<td>1</td>
<td>100</td>
<td>44</td>
</tr>
<tr>
<td>Total</td>
<td>7</td>
<td>2180</td>
<td>455</td>
</tr>
</tbody>
</table>

Total number of sample selected = 436 + 182 = 618
1.9 Tools Applied for Analysis

The data collected was recorded in a Mother Chart (MS-Excel) for classification and analysis, keeping in view the objectives of the study. For analysis, the State is divided into three zones - South, Central and North. Zonal wise analysis of the responses of workers and supervisors/managers is separately made in order to ascertain whether there are zonal differences in the views of employees in the public sector units in Kerala. In addition, a category wise analysis between the views of workers and managers is conducted to find out whether there exists any difference in their opinions regarding different aspects of HRM policy followed in these units. For the purpose of analysis, statistical tools such as averages, percentages, weighted mean, Chi-square test, Friedman’s Repeated Measures Analysis of Variance and Ranking techniques were used. The weighted mean was used to assess the order of preference associated with the selected variables. Chi-square test was applied to ascertain any zonal difference in the opinion of employees and to examine the significance of variation in the opinion of different categories of employees in the PEs.

1.10 Period of the Study

The study covers a period of seven consecutive years from 2004-'05 to 2010-'11. The survey for collecting primary data was conducted during the period from October 2010 to June 2011.

1.11 Limitations

- The study covers only the State of Kerala. So for a better analysis data could be taken from more regions to gain more knowledge about industrial sickness and HRM.

- The coverage of the study has been limited to sick industrial public sector units in Kerala.

- A large number of factors are likely to influence the industrial sickness in PEs. Here one among the prominent causes ie. inefficient management of HR only is considered.
Since the study depends on opinions of employees, it is not free from bias.

Respondents filled the questionnaire in a hurry, so there is a chance of not analyzing the questions clearly before answering.

Even though the study suffers from the above limitations, it is hoped that the findings of this study would be useful to planners and policymakers, especially the Industries Department of Govt. of Kerala and to employees and employers of public sector undertakings in general.

1.12 Chapter Division

The study report is presented in six chapters and its layout is designed in the following manner:

Chapter I INTRODUCTION- Contains an introduction about the topic, significance of the study, objectives, hypotheses, the variables studied, methodology, limitations of the study and chapter division.

Chapter II REVIEW OF LITERATURE - Reviews the existing literature of Human Resource Management in Public Sector Units.

Chapter III HUMAN RESOURCE MANAGEMENT - CONCEPTUAL ISSUES WITH SPECIAL REFERENCE TO PUBLIC ENTERPRISES IN KERALA- Presents a theoretical perspective of Human Resource Management in Public Sector Units. It also contains a brief review of the progress of Public Sector in India especially in Kerala.

Chapter IV PROFILE OF SAMPLE UNITS AND HRM PRACTICES IN SELECTED PUBLIC SECTOR UNITS IN KERALA - Presents a brief profile of the sample units with their HRM practices.
Chapter V  VIEWS OF EMPLOYEES ON HRM PRACTICES IN THE SELECTED PUBLIC SECTOR UNITS - AN ANALYSIS-
Analyses the views on Recruitment and Selection, Training and Development, Promotion and Performance Appraisal, Industrial Relations, Safety and Welfare Measures and Job Satisfaction.

Chapter VI  FINDINGS, CONCLUSIONS AND SUGGESTIONS - Gives a summary of the findings and also some suggestions made by the researcher which includes scope for further study.