CHAPTER – I

INTRODUCTION

Increasing intervention by the State in the economic field has been a characteristic feature of the 20th century, particularly after the end of the First World War in 1918. This trend got accelerated after the termination of the Second World War in 1945. Today, State intervention of a positive kind in the ownership operation or regulation of industries and services has become movement of world wide dimensions. In India, the entry of public sector in the economic sphere is a post-Independence development. The philosophy and programme of public sector undertakings are incorporated in the Industrial Policy Resolutions of 1948 and 1956. The Industrial Policy Resolution of 1948 declared that “a dynamic national policy must be directed to a continuous increase in production by all possible means, side by side with measures to secure its equitable distribution. The problem of State participation in industry and the condition in which private enterprises should be allowed to operate must be judged in this context. The Industrial policy Resolution of 1956 stated that “the adoption of the socialist pattern of society as the national objective, as well as the need for the planned development requires that all industries of basic and strategic importance or in the nature of public utility services should be in the public sector, other industries which are essential and require investment on a scale which only the State, in present circumstances, could provide have also to be in the public sector. The State has, therefore, to assume direct responsibility for the future development of industries over a wider area”
The Directive Principles of State Policy contained in the Constitution also required the State to ensure “that the ownership and control of the material resources of the community are:


‘Distributed as to sub serve the common good that the operation of the economic system doesn’t result in concentration of wealth and means of production to the detriment”. Therefore, for achievement of planned and rapid economic development, industries on which the scale of investment is high. Where the investment is highly risky and uncertain, and which are in the nature of basic and strategic importance have been assigned to the public sector. In India, the Public Sector enterprises are established broadly to achieve the following objectives.”

1. To promote rapid economic development.
2. To provide basic infrastructural facilities for the growth of the economy.
3. To achieve balanced regional growth and to reduce disparities in income.
4. To avoid concentration of economic power
5. To enhance the employment opportunities etc.

To achieve the above stated objectives, the public sector has grown to an enormous extent during the three decades of planning with moderate investment of Rs.29 crores as on 31-03-1951 in five enterprises. Presently, the overall public
sector approved investment stood at Rs.71, 299 crores as on 31-09-1988 in 231 enterprises.” It is interesting to note that the public sector alone accounted for about 67 percent of the total employment in the country. The following table reveals the growth of investment pattern in public sector.

Prior to Independence, there were few ‘Public Sector’ Enterprises in the country. These included the Railways, the Posts and Telegraphs, the Port Trusts, the Ordinance Factories, All India Radio, few enterprises like the Government Salt Factories, Quinine Factories, etc., which were departmentally managed. Independent India adopted planned economic development policies in a democratic, federal polity. The country was facing problems like inequalities in income and low levels of employment, regional imbalances in economic development and lack of trained manpower. India at that time was predominantly an agrarian economy with a weak industrial base, low level of savings, inadequate investments and in infrastructure facilities. In view of this type of socio-economic set up, our visionary leaders drew up a roadmap for the development of public Sector as an instrument for self – reliant economic growth. This guiding factor led to the passage of Industrial Policy Resolution of 1948 and followed by Industrial Policy Resolution of 1956.

The 1948 Resolution envisaged development of core sectors through the public enterprises. Public Sector would correct the regional imbalances and create
employment. Industrial Policy Resolution of 1948 laid emphasis on the expansion of production, both agricultural and industrial: and in particular on the production of capital equipment and goods satisfying the basic needs of the people, and of commodities export of which would increase earnings of foreign exchange.

In early years of independence, capital was scarce and the base of entrepreneurship was also not strong enough. Hence, the 1956 Industrial Policy Resolution gave primacy to the role of the State which was directly responsible for industrial development. Consequently the planning process (5 year Plans) was initiated taking into account the needs of the country. The new strategies for the public sector were later outlined in the policy statements in the year 1973, 1977, 1980 and 1991. The year 1991 can be termed as the watershed year, heralding liberalization of the Indian economy. The public sector provided the required thrust to the economy and developed and nurtured the human resources, the vital ingredient for success of any enterprise: public or private.

The Central Public Sector Enterprises (CPSEs) were classified into ‘strategic’ CPSEs were identified in the areas of (a) Arms & Ammunition and the allied items of defense equipments, Defence air-crafts and warships: (b) Atomic Energy (except in the areas related to the operation of nuclear power and applications of radiations and radio – isotopes to agriculture, medicine and non – strategic industries); and (c) Railway transport. All other CPSEs were considered as non – strategic. Further, Industrial licensing by the Central Government has been almost
abolished except for a few hazardous and environmentally sensitive industries. Over the years, operations of CPSEs have extended to a wide range of activities in the manufacturing, engineering, steel, heavy machinery, machine tools, fertilizers, drugs, textiles, pharmaceuticals, petro-chemicals, extraction and refining of crude oil and services such as telecommunication, trading, tourism, warehousing, etc. and a range of consultancy services. In 2006-07, there were 247 Central Public Sector Enterprises in India, as compared to 236 in 1997-98.

The New Policy on Public Sector stipulates a “strong and effective public Sector whose social objectives are met by its commercial functioning, Endeavour is to modernized and restructure sick CPSEs and revive sick industry. The chronically loss making CPSEs may be closed down or sold off, after all the employee are paid their legitimate dues. The problem of sickness in CPSEs is addressed by the administrative Ministries/Departments in the Government by evolving appropriate need based strategy concerning a particular CPSE. Some of the strategies for restructuring revival of CPSEs including sick units on long – term basis include:

- Revival through the process of BIFR;
- Financial restructuring;
- Formation of joint venture by induction of partners capable of providing technical, financial and marketing input; and
- Organizational restructuring and manpower rationalization through approved Voluntary Retirement Scheme (VRS)
In order to combat industrial sickness particularly with regard to the crucial sector, where public money is locked up and for timely detection of sick and potentially sick industrial companies, Sick Industrial Companies Act (SICA) was extended to public enterprises in 1985; enabling sick public sector enterprises to be referred to a quasi judicial body – Board for Industrial & Financial Reconstruction (BIFR), to take appropriate measures for revival and rehabilitation of potentially sick industrial undertakings and for liquidation of non-viable companies.

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

Human Resource Management and Personnel Policy in Public Sector:
Effective utilization of Human Resources is one of the most important factors for the efficient and profitable functioning of an organization. It has special significance in the management of public sector enterprises. CPSEs employ a large workforce in different disciplines and the successful operation of these enterprises very much depends on the skills and capabilities of the workforce. Out of around 16 lakh are in the supervisory and manpower (as on 31.03.07) deployed presently in CPSEs, about 3.65 lakh are in the supervisory and managerial cadres which represent about 22.12% of total manpower. In 2005-06, the aggregate amount paid towards salaries & wages and other benefits including Bonus was to the tune of Rs. 45,625 crores; and the cost of production was Rs.7, 35,964 crores. Accordingly, the average of payment to employees as percentage of Cost of production is around 6.2% out of which the lowest percentage is of petroleum group i.e. 1.28% and the highest percentage is of Coal and Lignite group i.e. 39.91.

The number of employees during the period has reduced from 19.59 lakhs in 1997-98 to 16.14 lakhs in 2006-07, which is a reduction of 17.61%. On the other hand, the total emoluments have increased from Rs.25, 385 crores in 1997-98 to Rs. 52,574 crores in 2006-07, which is an increase of 107% Similarly, the per capita emoluments have increased from Rs.1,29,582 in 1997-98 to Rs.3,25,738 in 2006-07, which is an increase of 151% . the Emoluments as percentage of Turnover has decreased from 9.19% in 1997-98 to 5.45% in 2006-07.

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

Table 1 Categorization of PSUs

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<tr>
<th>Category</th>
<th>No. of PSUs as on 30.5.2012</th>
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<td>Miniratana, Category I</td>
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<td>Miniratana, Category II</td>
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<td>Loss making</td>
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<td>Listed Companies</td>
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<tr>
<td>Non – listed Companies</td>
<td>202</td>
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<tr>
<td>Section 25 &amp; Under Construction</td>
<td>32</td>
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Human Resources Perspective

Human Resources (HR) is one of the most complex and challenging fields of management, as it deals with the people dimension in business management. The biggest challenge now being faced by CEOs is HR as it plays a strategic role in the growth of an organization and thereby maximizing return on investment. The HR management’s role is required to be perceived as business strategic partner in the organization working as well as contributor to organization’s strategy. Strategic HR practices help the organization in achieving long – term and short-term goals through optimum utilization of human resources. This involves the development of human resources objectives, which are in alignment with the enterprise objectives. Thus, there is a new agenda in the role of HR and it has t come out from its traditional role of managing HR alone.

Pay – for – Performance philosophy has become an emerging HR trend, which increases organizational effectiveness by aligning employee effort to the organizational mission. The rating of accomplishment of individual, team or business groups and having distinct differences in performance incentives between good performers and non-performer send clear messages to the workforce that deliverance of results affects everyone in the organization. The changes in industrial scenario have sent clear signals to the public sector to revisit their Human Resources (HR) Management practices and formulate HR strategies with focus on profitability on long-term basis. To achieve this, the thrust has to be on competitive HR policies & practices. HRM should now focus to build enterprises
that change, learn, move and act faster than those of its competitors; and it is time to build competitive and not merely comfortable public sector enterprises. HRM of public sector enterprises is also required to keep pace with the changing legal and governmental regulations.

Human resources play an important role in development of businesses and is the main differentiator of excelling companies from other companies. In view of the growth in business, expanding market, high demand by consumers and change in technology, the biggest challenge being faced during the last decade by companies has been the need to meet their requirement for talented people. The rush for hiring of people is being seen in all the sectors such as IT & IT enabled services, infrastructure, engineering, banking, airline, hospitality, biotech, medical, retail, etc. The demand–supply equation for talented professionals is heavily skewed in favour of the former; and as a result both attraction and retention have emerged as major challenges for HR professionals. The problem is not only limited within the country but it has become a global phenomenon, and even the MNCs and global recruitment firms are hiring people from India to meet their demands. However, in recent times, one can also see that the trend is gradually reversing and now expatriates are being assigned to or hired for Indian operations, and even a lot of expatriate Indians working abroad are coming back because India has now a lot to offer. The future outlook confirms that global nomad employees, who move from country to country on varying assignments, will become a common feature.
In public sector, HR practices and its management have a long way to go in order to achieve professional and competitive HR standards. There is lot to be done by HR in terms of identifying & nurturing talent; creating a performance-driven culture; and bringing about changes in the mindsets of employees at all levels so that all of them aim at providing value to customers. Multiple roles are, thus, required to be played by HR professionals such as business strategic partners, the change agents, the consultants, the service-providers, etc.

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

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

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

**Growth of Public Sector**

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

Before independence, there was almost no ‘Public Sector’ in the Indian economy. The only instances worthy of mention were the Railways, the Posts and Telegraphs, the Port Trust, the Ordnance and the Aircraft factories and few Government managed undertakings like the Government salt factories, quinine factories etc. After independence and with the advent of planning, India opted for the dominance of the public sector, firmly believing that political independence without economic self-reliance was not good for the country. The passage of
Industrial Policy Resolution of 1956 and adoption of the socialist. It was believed that a dominant public sector would reduce the inequality of income and wealth, and advance the general prosperity of the nation. The planners also seemed to believe that by placing the management and workers in public enterprises in a position of responsibility and trust, they would be so imbued with a sense of the public good that their actions and aspirations would naturally reflect what was best for the country. The main objectives for setting up the public Sector Enterprises as stated in the Industrial Policy Resolution of 1956 were:

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

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

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

Central public sector enterprises offer a wide range of products and services which include manufacturing of steel; manufacturing of heavy machinery, machine tools, instruments, heavy machine building equipment, heavy electrical equipment for thermal and hydel stations, transportation equipment, telecommunication equipment, ships, sub-marines, fertilizers, drugs and pharmaceuticals, petrochemicals, cement, textile, mining of coal and minerals, extraction and refining of crude oil, operation of air, sea, river and road transport, national and international trade, consultancy, contract and construction services, inland and overseas telecommunication services, financial services, a few consumer items such as newsprint, paper and contraceptives, hotel and tourist services, etc.
The Industrial Policy Resolution of 1956 has been the guiding factor, which gave the public sector a strategic role in the economy. Massive investments have been made over the past five decades to build the public sector. Many of these enterprises successfully expanded production, opened up new areas of technology and built up a reserve of technical competence in number of areas. Nevertheless, after the initial concentration of public sector investment in key infrastructure areas, public enterprises began to spread into all areas of the economy including non-infrastructure and non-core areas.

Government of India announced on 24th July 1991 the ‘Statement on Industrial Policy’ which inter-alia included Statement on Public Sector Policy. The statement contains the following decisions: “Portfolio of public sector investments will be reviewed with a view to focus the public sector on strategic, high-tech and essential infrastructure. Whereas some reservation for the public sector is being retained, there would be no bar for area of exclusivity to be opened up to the private sector selectively. Similarly, the public sector will also be allowed entry in areas not reserved for it. Public enterprises which are chronically sick and which are unlikely to be turned around will, for the formulation of revival/rehabilitation schemes, be referred to the Board for Industrial and Financial Reconstruction (BIFR), or other similar high level institutions created for the purpose. Social security mechanism will be created to protect the interests of workers likely to be affected by such rehabilitation packages.
In order to raise resources and encourage wider public participation, a part of the government’s shareholding in the public sector would be offered to mutual funds, financial institutions, general public and workers. Boards of public sector companies would be made more professional and given greater powers. There will be a greater thrust on performance improvement through the Memorandum of Understanding (MOU) System through which managements would be granted greater autonomy and will be held accountable. Technical expertise on the part of the Government would be upgraded to make the MOU negotiations and implementation more effective. To facilitate a fuller discussion on performance, the MOU signed between Government and the public enterprises would be placed in Parliament. While focusing on major management issues, this would also help place matters on day-to-day operations of public enterprises in their correct perspective.”

In accordance with the decision announced in the aforesaid statement on industrial policy on public sector and also as per budget speech of July 1991, in order to encourage wider participation an promote greater accountability the Government equity in selected CPSEs was offered to mutual funds, financial institutions, workers and the general public.
Government of India, as part of its national agenda to promote growth, increase in efficiency and international competitiveness, has been continuously framing policies for industrial growth, fiscal, trade and foreign investment to achieve overall socio-economic development of the country. As a result of exceptionally severe balance of payments and fiscal crisis in the year 1991, the government decided to shift to a liberalized economy with greater reliance upon market forces, a larger role for the private sector including foreign direct investment.

The Government realized that a strong and growth oriented nation could be built if India grows as part of the world economy and not in isolation. Thus, liberalizing and deregulatory steps were initiated from the year 1991 onwards, which aimed at supporting growth and integration with the global economy. Since then, the thrust of New Economic Policy has been on progressive reforms such as reduction in the scope of industrial licensing, reforms in the Monopolies and Restrictive Trade Practices (MRTP) Act, reduction of areas reserved exclusively for public sector, disinvestment of equity of selected public sector enterprises (PSEs) enhancing limits of foreign equity participation in domestic industrial undertakings, liberalization of trade and exchange rate policies, rationalization and reduction of customs and excise duties and personal and corporate income taxes, promoting FDI, investments from NRIs (Non Resident Indians), extension of the scope of CENVAT, implementing the VAT regime in States, taking steps to switch over to goods & services tax system with effect from 01.04.2010, e-governance and simplification of various procedures, rules and regulations etc.
Since the setting up of World Trade Organization (WTO) in the year 1995, as an apex body at the international level, to which India is a signatory, the world trade has definitely grown thereby giving indications that international trade reforms do play an important role in boosting economic development of various countries. Industrial policy has seen a sea change with most Central Government industrial controls being liquidated.

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

**Current Policy of Government on Public Sector :**

- To devolve full managerial and commercial autonomy to successful, profit making companies operating in a competitive environment

- Generally, profit-making companies will not be privatized
• Every effort will be made to modernize and restructure sick public sector companies and revive sick industry

• Chronically loss making companies will either be sold off, or closed, after all workers have got their legitimate dues and compensation

• Private industry will be inducted to turn-around companies that have potential for revival

• Privatization revenues will be used for designated social sector schemes

• Public sector companies and nationalized banks will be encouraged to enter the capital market to raise resources and offer new investment avenues to retail investors.

The Government has made a clear commitment to empowering the CPSEs and their managements. It was recognized that public enterprises could not compete effectively with private entrepreneurs without freedom to function and operate commercially. Thus, the concept of Navratna and Mini-Ratna was introduced with greater delegated authority, both financial and managerial. Government has realized that ‘Navratna’, ‘Mini-ratnas’ and other CPSEs are required to grow and deliver on the promises they have made to their stakeholders. Other reforms have also been announced, such as professionalisation of the Boards of Directors of public sector enterprises and evaluation of performance of CPSEs through Memorandum of Understanding (MOU).
New Opportunities:

In the competitive industrial scenario, one of the key components to increase the bottom line in the globalized economy is to find out how an enterprise leverages capability at a global level for procurement, sourcing and delivering all its products and services across markets far more rapidly and takes advantage by cross leveraging between various markets. In this context, Mergers & Acquisitions (M&A) have gained importance during the past few years and a storm of mergers of huge values have been notched-up. In response to the growing business and to release productive energies and to promote creativity of Indian businesses, the regulators have also issued guidelines to facilitate smooth transactions as well as making business restructuring tax neutral.

Business consolidation of market share, synergies of operations, reduction of time and money in entering the domestic & foreign market, reducing uncertainty of market share, to meet end-to-end solution needs, buying out competition, realization of stock market valuations, create value for shareholders, etc. are some of the reasons leading to spur in M&A activities within India as well as promote overseas acquisitions by Indian companies.

Integration of Indian economy with global markets has thrown up new opportunities and challenges. Some of the public sector enterprises with strategic vision are actively exploring new avenues and have increased their activities to go in for mergers, acquisitions, amalgamations, takeovers and for creating new joint
ventures. The Navratna CPSEs which enjoy greater autonomy to incur capital expenditure and enter into joint ventures in India and abroad should avail of these opportunities for rapid growth overseas. Acquisitions, JVs and green field projects in Petroleum Sector have already taken place and are under active consideration in Power, Coal and Mining Sectors. Another important initiative towards restructuring of public sector enterprises is ‘Disinvestment’ in select CPSEs. The Statement of Industrial Policy of 1991 stated that in the case of selected enterprises, part of Government holdings in the equity share capital of these enterprises will be disinvested in order to provide further market discipline to the performance of public enterprises.

Some CPSEs have been such as Videsh Sanchar Nigam Ltd. (VSNL), Indian Petrochemicals Corporation Ltd. (IPCL), Maruti Udyog Limited (MUL), CMC Ltd., etc. have been privatized. In addition, there are CPSEs which have been acquired by other CPSEs by way of disinvestment and open bidding such as acquisition of IBP by Indian Oil Corporation Limited. There are also instances of acquisition of private firms by CPSEs subsequent to acquisition of its majority shares by ONGC. There are also cases of domestic offerings, GDR listing, offloading of some equity shares in the market or to another organization, and forming joint-ventures, by CPSEs.

The intensity of competition witnessed globally has cast its shadow on Indian businesses too ever since the GOI embarked on reforms in 1991 aimed at
liberalizing the economy, as mentioned in the previous chapter. Many global companies have been investing aggressively in India during the last decade attracted primarily by the size of the market. Athrcya (1997) pointed to the immediate threat of competition from innovative product development by MNE already operating in India while the threat of product imports would rise with falling tariff levels. In their struggle for competitiveness, many Indian companies have been radically restructuring their business; reviewing their organizational designs and rewriting their corporate and business level strategies (Sinha.1996). As Ghoshal (2001) suggests, Indian businesses need the courage to change and ‘courage cannot be taught’. What Indian companies need, according to him, to become world class is just not concept, prescriptions and tool kits but simply the desire to excel. Almost every company in India is struggling to drum up the courage to achieve world –class competitiveness, For it is competitiveness’ that is at the roots of the new economic paradigm of market economy and competitiveness remains the litmus test of enterprise performance in the present era of internationalization and globalization (Mishra1999).

The competitive environment created by the WTO agreements extends to the investments by MNEs too as the Trade Related Investment Measures (TRIMS) offers them freedom to invest any where and everywhere across the globe to take advantage of both factor and market conditions (Khor 1995). Keayala (1997) and Mattoo & Subramanian (1998) consider the non –tariff issues of ecological environment, labour standards, human rights, competition policy, subsidies to
certain sectors like Small and Medium Enterprises (SMEs) agriculture, export promotion, concessionary tariffs on infrastructure services etc., often referred to as the New WTO Issues. The basic principles of the WTO regime are built around free trade through negotiation, to promote competition without discrimination among the participants of the multilateral trading systems. Ghosh (1998), the People’s Commission on GATT and many others contend that the WTO agreement was signed in “indecent hurry” by India but the fact remains that as a founding signatory, India is obliged to legally comply with all its commitments and businesses are now as much a part of the international processes of trade scrutiny as the country’s trade policy.

Therefore, it seems that there is not much to be gained by finding fault with the decision of the GOI to join the WTO. Instead the reality of competition has to be accepted as an essential dimension of socially organized life and a cultural phenomenon (Coombs, Knights & Willmott 1992; Weiskopf & Ungericht 2000). Confronted with growing competition, businesses would need to learn more (Senge 1990; Kanter 1995) and thin more strategically (Illinitch, D’Aveni and Lewin 1996) to develop and implement strategies that yield sustainable competitive advantage. As Weiskopf & Ungericht (2000) assert, “Strategic thinking and acting seems to provide the means to survive in the (corporate) battlefield.” A variety of frameworks, concepts and analytical tools have emerged in management literature over the years to guide managers to handle
intensified competition though the trap of treating ‘strategy as synonymous with success cab be destructive at its very core (Weick 1987). Interest in the concept of ‘strategy’ has grown so much in the last couple of decades that ‘Strategic Management ’ has developed in to a distinctive discipline with a content of its own and meriting study by its own right. It would be helpful for this research project to survey the growth of literature on this vital subject of strategy.

As mentioned earlier, the country has witnessed more dramatic developments in subsequent years, as are evident from the successive annual economic surveys and the budget speeches of the Union Finance Ministers. The Committee on the Financial System, 1991 and the Committee on Banking Sector Reforms, 1998(First and Second Narsimham committees ) made exhaustive recommendations on reforming the financial and banking system covering prudential norms for capital adequacy, reduction of statutory preemptions, management of non-performing assets, rationalization of priority sector lending, risk management, review of internal control systems etc. Following these recommendations, a number of changes have taken place in the regulation and supervision of the sector. These include, raising the minimum required capital to risky assets ration from 8% to 9%; requiring greater disclosure from banks regarding the maturity patterns of their assets and liabilities in their annual reports, strengthening of prudential accounting norms; transparency in the financial system; deregulation of interest rates; securitization of assets and so on.
In 1992, the EXIM Scrip Scheme was reviewed and replaced by a more attractive Liberalized Exchange Rate Management System’ (LERMS) which allowed exporters to sell 60% of their export revenues at market determined exchange rates. The Supplementary Trade Policy Package of August, 1991 provided sharper export focus by winding up discretionary trade controls and offering special incentives to 100 percent Export Oriented Units (EOUs) and Export Processing Zones (EPZs). The new EXIM Policy of 1992-1997 pruned the negative list of imports sought to make the Export Promotion Capital Goods Scheme, more exporter friendly and the process continues as more and more items of import are shifted from the restricted list to the Open General Licence (OGL) and tariff levels decline in line with the commitments to WTO.

Similarly, the Tax Reforms Committee headed by Dr. Raja Chelliah in 1991 and more recently the Task Force on Tax Reforms’ headed by Mr.V.Kelkar in 2002 have recommended wide-ranging changes in the tax structure and management of public finances. As Rangarajan (1994) point out, the reforms in the financial sector are aimed at getting the Indian financial system integrated with the global system and to modernize the instruments of monetary policy so that they can operate in a market economy. Further, the Capital Issues Control Act, 1947 was repealed and the Office of Controller of Capital Issues (CCI) was replaced by the Securities and Exchange Board of India (SEBI) with statutory powers to ensure a healthy growth and prudential regulation of capital markets and responsibility for the safety of investors’ interests. The Import and Export (Control) Act, 1947 has been replaced
by a more international trade-friendly Foreign Trade (Development& Regulation) Act, 1992;

Foreign Exchange Regulation Act (ERA) of 1973 has been repeatedly amended before being replaced finally by a more progressive Foreign Exchange Management Act (FEMA). 1999; a new Competition Bill 2001 has been passed by Parliament in December, 2002; all restrictions on the import of technology and capital goods are being progressively relaxed; foreign direct investment in many industries is automatically approved up to 100% except for a small negative list where again the Foreign Investment Promotion Board (FIPB) is empowered to take an objective look and approve the investment proposals. Changes in the industrial, trade, fiscal and other policies are being continually made to harmonies with the global business environment.

The above package of continuing policy changes have come to be described collectively as the New Economic Policy (NEP) which has paved the way for second generation reforms in capital markets; Public Sector Enterprises (PSEs); banking, insurance and non-banking financial services; deregulation of industries considered strategic even in the early years of reforms so much so that currently only atomic energy, railways and other defence related aircraft, warships and ammunition industries stand reserved for the public sector. Obviously many leading sectors of industry such as mining, telecom, power, oil and gas, steel etc. hitherto reserved for public sector are all now open to private sector participation.
The immediate impact of these changes has been a significant rise in net FDI, which rose from a negligible 0.03% of the GDP in 1990-91 to 0.7% at current market prices by 2001-02. FOREX reserves of the country have swollen to a record level of $10 billion in 1991-92 when the reforms began (Economic Survey 2002-03, GOI).

**India and WTO**

India is a founder member of WTO which at the end of March, 2002 had a membership of 144 nations. The agreement establishing the WTO calls for a single institutional framework encompassing the GATT, as modified by the UR and hence membership of the WTO entails accepting all the agreements, arrangements and concluding results of the Round without exception. Based on the huge information and database available on the WTO website (www.wto.org) and related websites, India’s commitments under the various agreements are identified. Article XXVIII of the GATT, 1994 contains the original schedule of obligations for India to fulfill as part of the process of integration with the world trade, though India has been submitting rectifications and modifications from time to time under Article XXVIII:1and5 of the GATT, 1994. As a result of India’s commitments, India has bound 100% of all agricultural product lines (under the WTO definition of agriculture) and 68.2% of lines for non-agricultural products. Currently, India is committed to bind 75% of all the internationally tradable product lines by tariff agreements. The average applied Most favoured Nation(MFN) rate fell from
35.3% to 32.3% between 1997-98 and 2001-02 and is expected to fall further to 29% by 2003 as the ‘peak’ rate of tariff gets reduced from 35% to 30%.

There has been tariff escalation in some other sectors too, especially paper and printing. Textiles and clothing, and food, beverages and tobacco where safety, health and environment related issues are involved. Well, assuming that the GOI would seek to progressively raise the current applied MFN tariff level of 41.7% on agricultural and allied product lines to protect the domestic product lines to protect the domestic producers, the non-agricultural product lines will have to take on the brunt of pushing the average of 29% as envisaged. Further, the GOI is also expected to simplify the tariff to two tiers by 2004-05: 10% for raw materials, intermediates and components, and 20% for final products.

The customs tariff has become the main form of border protection as all other import restrictions maintained for balance-of-payments reasons have been removed. With its numerous exemptions and wide dispersion, the tariff is a complex and consequently opaque instrument. Its administration has attracted much criticism from domestic businesses as well as from exporters of WTO member countries. In response, the Customs Valuation (Determination of Price of Imported Goods) Rules, 1988 that lays down the methods of determination of valuation of imports has been amended in 1998 to simplify the valuation procedures. The amended legislation has also been examined by the WTO Committee on Customs Valuation, and though some reservations persist regarding
India’s sue of special and additional duties where it is not possible to determine the actual charges incurred on transport, loading, and unloading of imported goods entering the country, further simplification is being pursued on a bilateral basis with other member countries of WTO.

Similarly, procedures relating to health certificates, plant and phytosanitary certificates required for certain goods; import permits to be obtained from the relevant departments of GOI and additional documents for the goods imported (or exported) under one of the preferential trading agreements are all being reviewed to bring them in line with the expectations of WTO members. To speed up customs clearance procedures, the Electronic Data Interchange (EDI) system has been introduced at almost all major ports and air cargo complexes and the accompanying computerization in customs administration under the EDI system is progressing well. Under the EDI, the importer is not required to submit any documentation to customs in advance but need to be submitted only at the time of examination of the goods. These changes coupled with the decline in the use of industrial policy, including industrial licensing and phasing out of product groups reserved for production in the small scale sector, as also removal of price controls on several products including petroleum products has opened the Indian market to international competition.
Global Competition: Concern and Challenges for Indian Businesses

Serious doubts were expressed in the industrial circles about the Indian industry’s capacity to face foreign competition, in the initial years when reforms began. The somber mood of the domestic industry could be gauged from a warning note struck by a former Chairman of ITC Ltd. “as Indian organizations enter global markets – and as global players enter India-our managers are confronted with a totally different ball game. No matter how effective and professional they have been, they never before have had to face such fiercely competitive situations”. When far-reaching changes were first notified, the initial reaction was one of disbelief, and there was an underlying feeling of complacency that nothing will change radically. Subsequently, once the change of policy became an established reality, trepidation, anxiety and almost fear gripped the industry. There was, therefore, resistance to liberalization and even efforts were made to push back or stall the reforms process. It is true that, until recently, lobbying certain pressure groups did extend the period of transitional adjustment. To this date, an opinion is aired generally that the Indian industry should have been given more time to gear up itself to meet the challenge of globalization flung at it.

The reasoning is that before the onset of reforms, government regulated restrictions constricted the industry’s growth, and in the process they were accustomed to working in a highly sheltered market. For instance, because of severe restrictions on capacities prescribed under the licensing system, economies of scale has, until recently been only of theoretical or academic value. Similarly, inducting superior
technologies, capital expansion and new product development were constrained and certain cost advantages were cornered by a limited number of firms by virtue of their having acquired power over some fixed sources of supplies. Further, some reputed business houses help strong attraction for talented professionals or finance flowed more easily to them but liberalization has changed all that. Today access to sophisticated technology, capital, raw materials and professional manpower depend on the bargaining power of enterprises at the international marketplace and ability to gorge joint ventures, strategic alliances, technical or marketing collaborative arrangements etc. where considerable relaxations have been introduced in the new policy. These changes have paved the way for the entry of MNCs, which has been a major concern for Indian businesses. While some would prefer limited and phased entry for them, others advocate their free entry and argue that real competition is encouraged only under the pressure of MNCs (Palande 2000).

Now that the outlines of the emerging scenario are clearer than in the early years of reforms, the initial feeling of anxiety is giving way to an attitude of acceptance of the inevitability of internal and world wide competition. The concerns expressed by Indian businesses even in late 1990s about their ability to manage competition from MNCs are being overtaken by more positive response to the new ground realities. After its initial hesitation and anxiety, the industry has started gearing up and individual companies are Irving to meet the challenge in their own way, devising their own strategies for the marketplace, with some of them having sought
the help of domestic and international management consultants for deep interventions to radically restructure their business portfolios and organizations. A study by Fortune India Research Bureau and Tulip Research Bureau suggests that the Growth of the top 100 companies in the post-liberalization scenario has been more sharp than that achieved during the pre-reforms stage (Fortune India, 15 October, 1997). Other evidence is found in the results of a study by Hong Kong based Asia Incorporated, which, in collaboration with the Global Consultancy Company and Arthur D. Little, identified Asia’s fifty most competitive companies.

Yet the process of global competition is still in its early phase for Indian corporates and significant challenges are ahead for them. Just as success stories can be heard of Indian businesses that have taken liberalisation and globalization well in their stride, there are far many losers who have not been able to keep pace with the changes. For instance, a study carried out by the Economic Times compared the net worth (issued equity shares plus retained earnings less accumulated losses) of around 1,500 companies listed on major Indian stock exchanges in 2001-2002 with their net worth five years back. The study indicates that around 600 companies have suffered erosion of investors wealth as their net worth in 2002 is lower than what it was in 1997. The character of the market is changing from a seller’s market to a buyer’s market with the opening up of the country’s borders. The markets are now flooded with the latest and technologically superior products and services from all over the world, the like of which the Indian market has never seen before. Now the consumer, thus, has a much wider choice of products, services and
supplier. The Economic survey for 2002-03 has noted that, “there has been a remarkable improvement in the quality of domestic consumer products, with convergence towards the best international practices.”

The nature of the customers demand is also changing. He can now expect better quality, even with low-priced products. Companies can no longer expect to sell what they produce – they must only produce what customers will buy. As expressed by Oswal (1998), being locally competitive is not enough, because the markets simply don’t accept anything less than world quality. Consequently companies are now paying greater attention to producing internationally competitive products. The changed situation has encouraged technological upgradation, with improvement in efficiency, greater attention to quality, competitive pricing, better after-sales service and customer satisfaction, etc. The information technology (IT) and communications revolution and the vibrant growth of the domestic IT industry have contributed richly to the diffusion of information on new technologies and to competitive benchmarking by producers while also enhancing the quality of demand from domestic consumers. As the concept of globalization percolates down the Indian businesses, there is a “growing realization in many sectors of the need to move up the value chain, bridge the gap with demand conditions in developed markets while increasing the competence gap with other developing countries (Jain 2001)
Different groups have reacted differently. Some have emphasized consolidation; cost control, productivity, etc. others are reviewing their core competencies, size and scale, mergers and acquisitions, takeovers, and the like. Within the industry itself different sub-groups have adopted different tactics. With relentless competition, managing skills, learning and knowledge is being recognized as a key driver for India to be a part of the global economy. Before the players can adjust to the changing pace, they discover that the rules have change, transforming the entire ball game creating confusion and uncertainty. Mr. Tarun Das, Director General of CII in an article captioned, “Role Change” (Economic Times, 27* October, 2002) said, “the great news coming out of India, specially the corporate sector, is that as the global economy integrates and becomes more complex, those Indian companies which have focused strongly and clearly on their mission, are emerging as winners” He further asserts that the challenges of globalization, competition and economic slowdown are bringing out the creativity and courage of Indian managers as more and more young people take up leadership positions, learning, falling, making mistakes, getting up and getting on with their jobs.

Of course, it may still take some time for improvement in product quality and service, for it will require a change of psyche of the producers and service providers as well. This is really the essence of competition as the process of change is on. The acid test for corporate India would be its ability to hold its own when it comes to competing in the global market. If it can compete and score aces on the turf of other countries, rubbing shoulders with other players and yet making
distinct mark, it is then that India would be rising to the challenge. This may sound
Utopian or far-fetched. Deterrents and stumbling blocks are only natural since
India has had a wall of protection for much too long. This is visible on its streets
and boardrooms. This protective wall led to a passive existence, one which did not
put pressure on India to strive hard to be competitive or to insist on a quality and
pricing structure which would be in keeping with global expectation.

Present Study

Most of these reports discussed the problems and solutions pertaining to industrial
relations in general. We can find a few micro level studies on selected aspects of
industrial relations. Since undertakings differ in their nature, the problem should be
viewed from varied angles. Some research studies have been carried out in the
field of industrial relations in public sector undertaking at macro level. But, the
significant area of industrial relations has not been explored in BHEL Hyderabad
Unit. Though, other aspects like Employee Welfare programmes and performance
appraisal and other allied aspects have been covered. To fulfill this research gap,
researcher made an attempt to undertake an in-depth study of industrial relation in
BHEL, Hyderabad unit. The present study is designed to fulfill the following
objectives.

1. To present a brief survey of the BHEL in the broad context of industrial
   relations in Public Sector enterprises in India
2. To identify industrial relations Policies evolved by the personnel Department of the BHEL

3. To undertake the study of BHEL at work in respect of various facets of industrial relations and suggest means for the improvement of methods and procedures to obtain industrial peace and harmony.

HYPOTHESIS

The following Hypothesis was tested in the study.

1. Harmonious Industrial relations can only develop in an organization where there is an effective machinery to deal with organizational and individual conflicts.

2. Healthy Industrial relations can reduce the loss of man days and in turn brings industrial peace and democracy.

3. Workers education and training would make the employee participation more meaningful and rewarding

4. Comprehensive employee welfare programmes would lead towards human side of the enterprise.

METHODOLOGY

The Quality of any research is determined to a large extent by the methodology adopted and the research tools used in the collection of data that is required. Considering the above aims and objectives of the study and hypothesis formulated the following research tools for the purpose of data collection.
• Library technique

• Interview Method

• Non – participant observation

• Formal and Informal discussions with a cross-section of employees.

The study involved a good deal of field work for data collection. Importance was given to interviews and non-participant observation method for data collection, to ascertain managerial point of view, researcher, interviewed Heads of Departments, divisional heads and senior officials dealing with industrial relations. Whereas to get workmen views, the researcher interviewed one hundred and fifty workers belonging to different sections of the BHEL Hyderabad Unit. The above respondents were selected on a random basis from different sections to get cross-section of opinion. In addition, the researcher interviewed the union leaders of present and past.

Organization of the study

The present study has been divided into six Chapters. In chapter one the growth and importance of industrial relations in public enterprises, with objectives and hypothesis of the study and methodology adopted in the collection of the data are discussed. Chapter II deals with the overview of the Public Sector and Economic Growth in India and landmarks with survey of literature in the field. It discusses conceptual and macro view of the industrial relations. It also analyses the present state of public enterprises. Chapter III explains the changing nature of Industrial
relations in the era of globalization. Chapter IV deals with the profile of BHEL. Chapter V deals with Personnel Management and Grievance machinery in BHEL. Chapter VI highlights the findings of the study. A Select Bibliography was added at the end of the dissertation.