CHAPTER – II

Review of Literature
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A literature review is based on the assumption that knowledge accumulates and that one can learn from and build on what others have done. Scientific research is a collective effort of many researchers who share their results with one another and who pursue knowledge as a community. Today’s studies build on those of yesterday. Researchers read studies to compare, replicate, or criticize them for weaknesses.

2.1 Literature Review on HRD

The term HRD has become very popular in the last two decades and especially in the last one decade. Many organisations either have started new HRD departments or have improved HRD managers or at least have strengthened their personnel departments to look after their HRD functions.

The formal introduction of the concept of HRD was done by Prof. Leonard Nadler (1969) in American Society for Training and Development Conference. Dr. Len Nadler observed, “HRD means an organized learning experience, within a period of time with an objective of producing the possibility of performance change”.

A survey by Industrial Team Service from USA in 1969 indicated that the personnel function is no longer viable if it does not include or give scope for employment training, welfare measures, employee education, employee benefits, industrial relations and industrial insurance. Thus, the concept was subject to serious criticism and this has ultimately proved the way for the emergence of HRD.

Dr. Nadler, Carroll and Jones (1970) have used the term “HRD” mainly referring to training, education and development. According to them, training is focused on the present job education and the future job and development is concerned with
providing learning experiences to employees so that they may be ready to move to new
directions and dimensions that the organisational change requires.

According to Hegal C (1973) ‘Performance Appraisal’ is the most important
HRD mechanism. ‘Performance Appraisal’ is the process of analysing the performance of
employees in relation to job requirements for which he is employed. Performance
appraisal facilitates administrative functions of HR department that includes placement,
selection, promotions, financial rewards and other actions, which require differential
treatment among the members of a group as distinguished from actions affecting all
members equally.

The growth and development of HRD function in India is the result of
in the mid-1970s as a conceptualization of an integrated HRD system to change the
performance appraisal systems in large engineering company, resulted in the
establishment of HRD departments in many firms. Further dissemination and
perseverance resulted in the establishment of a centre for HRD, and subsequently the
birth of professional body and later, an academic institution. The authors describe the
growth in eight stages and conclude the path for future is in moving towards national HR
policies and other social sectors.

Hellriegel and Slocum (1974) define organisational climate as a ‘set of attributes
which can be perceived about a particular organisation and/or its sub-systems, and that
may be induced in the way that organisation and/or its sub-systems deal with their
members and environment”.

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Prayag Mehta (1976) in his article reports about the importance of work related satisfaction in terms of influence and autonomy, amenities at the work place, trust, job satisfaction, supervisory behavior and friendship.

Stewart (1977) has argued that HRD is unalterably ethical because it requires moral choices to be made. These choices, he argues, are complex, which implies that they may involve sacrificing some ethical ends in order to achieve others.

Prasad L (1978) describes in his book 'Personnel management and Industrial Relations in the Public Sector', the various practices of Personnel Management IN Indian Public Sector organisations. The author has pointed out the inadequacies of several Personnel Management practices being followed in these Public Sector undertakings.

Dr. Laxmi Narain (1980), former Professor from Osmania University, Hyderabad analyses in depth about the problems of public enterprise management with special reference to conditions in India in his book 'Principles and Practices of Public Enterprise Management'.

Pestonji D M and Singh U B (1981) have expressed the opinion that 'Training' contributes to personal and corporate growth. Appropriate training programmes can result in enhanced effectiveness in terms of better performance both for the organisation and for the individual as well. These two authors have observed a study conducted on 90 employees, who were divided into two groups, wherein one group is given a professional training and the other group is not given any training. The difference in performance is measured between these two groups and the results have emphasised the need for training to increase the overall efficiency of the organisation.

Warne Burke (1982) was of the opinion that HRD professionals should play a more active role in the downsising efforts of an organisation.
Udai Pareek and T.V.Rao (1983), the pioneers of HRD philosophy in India since 1970s, have dealt with all the aspects of HRD and enumerated illustrations and case studies for introducing HRD systems in their book ‘Designing and Managing Human Resource system’.

Charu Sheela Naik (1984) proposes a model for developmental programmes in business organisations to balance the various influences on the interdependent behavior of the people of an organisation.

Rao T V (1987) in his article “Planning for Human Resources Development” felt that, Human Resources Development (HRD) should be a continuous and planned process. Neglecting it, because its results are not discernible in the short run, can weaken the organisation. Based on the experiences of several public and private sector undertakings, T.V. Rao outlines in his article there should initiative steps from the managers to strengthen HRD processes.

Bhushan Y K (1988) observes that HRD is for the purpose of improvement in the capacities and capabilities of the personnel in relation to the needs of the organisation. He also mentioned that the creation of right ‘HRD Climate’ will facilitate the improvement in human knowledge, skill, capabilities and creativity. According to him the use of HRD processes will facilitate the personnel in the organisation to give their best for achieving the corporate objectives and goals with optimal effectiveness.

T.V. Rao (1988), in his article “Making Executive Appraisals Effective: Issues and Suggestions” observed that KPAs (Key Performance Areas) are to be considered for ‘Role Clarity’ and KRAs (Key Result Areas) are to be considered for ‘Accountability’ while planning for performance appraisal, one of the HRD mechanisms.
V.K. Jain, K.C. Snghal and U.C. Singh (1988) in their article “HRD practices at the middle management level of BHEL and NFL” observed that, “There is need to generate a sense of responsibility among the executives so that they can implement the HRD sub-systems in a much better way. HRD sub-systems like career planning, goal-setting, performance appraisal, executive development, training, role analysis, potential appraisal etc. need to be restructured. All these sub-systems must be integrated to the HRD Programme.”

J.P. Singh (1989) argues in his article “Choosing Human Resources Development Interventions” that top management should examine the managerial culture of the group and the organisation before introducing change through human resources development (HRD) interventions.

Sundaram (1989) observed that full utilisation of employee potential can be possible through an integrated HRD system by using its subsystems like Human Resource Planning (HRP), Performance Appraisal, Training and etc...

In an article, Ishwar Dayal (1989) discusses the patterns of HRD management and identifies three different HRD approaches as practiced in Indian organisations. These are: Man-Centered, Reciprocal, and Selective. Underlying each approach is a set of beliefs shared by top management. Policy formulation and HRD programmes in these organisations emanate from these philosophies. The author also analyses the strengths and weakness of each approach. According to Dayal, HRD is a shared belief by management in the development of individuals and involves a strategy of linking organisation development with individuals and involves a strategy of linking organisation development with individual growth. The author also raises some relevant issues concerning the future of HRD in the Indian organisations.
Mc Lagan and Patricia A (1989) defined HRD as “an organised way of learning the activities of an organisation to improve the performance and personal growth for the purpose of improving the job, the individual and also ultimately the organisation.

Peter M. Senge (1990) also explained the influence of structure on the behaviour of people. According to him, people, however different, will produce similar results when placed in the same system. He perceived structure as a key factor that influences behaviour.

According to John E. Jones (1990), “HRD is an approach to the systematic expansion of peoples’ work related abilities, focused on the attainment of both organisational and personal goals”.

The author of the article “HRD for organisational development”, R.S.S. Mani (1990) observed that, HRD should not be perceived as the sole responsibility of the personnel department but indeed it would succeed if and only if line managers accept the responsibility for implementing it in their respective departments and units.

According to G. Mejia et al, (1991) Human Resource Management (HRM) is concerned with the effective use of people to achieve organisational goals. It is a way of managing people at work, so that they give their best to organisation.

According to J. E. Butler et al, (1991) HRD may be defined as the art of procuring, developing and maintaining the competent workforce to achieve the goals of an organisation in an effective and efficient manner.

T.V. Rao (1991) observed that, a good potential appraisal system provides opportunities continuously for the employee to know his strengths and weaknesses. These are done through periodic counseling and guidance sessions by either the personal
department or the managers concerned. This should enable the employee to develop realistic self-perceptions and plan his own career and development.

According to Dr. Udai Pareek (1992), a pioneer in the subject of HRD Philosophy in India stated that “reward system and employees welfare schemes are the hygiene factors necessary for the creation of proper environment for inducting HRD system.

Human Resource Development (HRD) as a function has evolved in India indigenously from the year 1975 when Larsen & Toubro (L&T) conceptualized HRD as an integrated system and decided to separate it from the personnel function, which was initiated by the two professors from IIM-A, Udai Pareek and T. V. Rao (1992). According to these two people, “HRD is primarily concerned with developing employees through training, feedback and counselling by the senior officers and other developmental efforts”.

An essay on HRD in Public Undertakings by Dr. N.M. Agarwal (1992) which won the first prize in the competition conducted by Study Centre on Public Undertakings (SCOPE) reviews various personnel functions, and offers suggestions to make these functions more effective so that they can contribute towards HRD in Public undertakings.

Creation of a supportive environment is an effective alternative suggested by Dayal. I (1993) to foster the growth of individuals in organisations. Some of the factors identified by him in this regard include personal desire among individuals to grow, opportunities for interaction, assimilation of experience and capability to assess one's potentialities.

Niraj Kumar (1993), in his article “Human Elements in Organisations” felt that, if in an organisation members' recognition of their roles help to avoid the social
disorganisation that occurs if they are not clear about their role expectations. The incongruence between the responsibility and level of authority leading to role ambiguity has a negative effect on organisational performance.


A.B. Siva Kumar (1995), in his article “HRD for results: the new agenda”, observes that, whatever HRD philosophy an organisation might have, HRD itself becomes meaningful only if there are certain bottom-line results to show and HRS embraces and becomes part of organisational initiatives like Total Quality Management (TQM), which have become the order of the day, given the realities of the new economic and business environment.


M.S.S. Vardhan (1996), prominent management consultant from Bombay (Mumbai), classified HRD mechanism into performance appraisal, role analysis, organisational development and quality circles.

D.L. Silveria (1997), another management consultant accepting the components given by T.V. Rao added more to the list; these are manpower planning and consultation at work.
Prof. J.K. Gilbraith (1997) observed that “even in a country like the USA a large part of industrial growth is derived not from more capital investment but from development in human power”.

In his article “Organisational thrusts reorientation in Public Sector Undertakings for Human Resource Development in the new economic environment”, Shyam Sunder Pal (1997) says that management of public sector has come to be recognizing the importance of effective corporate governance of these undertakings through specific management focus on the HRD initiative in these organisations.

Prof. C.S. Sankar (1998) observed that, “HRD is a development oriented planning effort in the personnel area which is basically concerned with the development of human resources in the organisation for improving the existing capabilities and acquiring new capabilities for achievement of the corporate and individual goals”.

C.S. Kalyanasundaram and Prof. T.V. Rao (1998) have identified the need of HRD in India on the following grounds: India is a big country with people of different and diverse backgrounds. Any organisation will have a combination of various parts of the country. The value system of people of India is rapidly changing due to rapid changes in the education system, technologies and marketing conditions. Thus, we want to rehumanize the society due to very high aspiration and ambitions of the people.

A study is being conducted by Venkataswamy G (1998) Training and Development in public undertakings in India. The study examined the status of the existing HRD practices in Public Sector Undertakings. He studied the coverage and contents of training programmes and methods used by these organisations. It is observed from his studies that the HRD practices in PSUs are still not on par with the global standards.
Dr. N. Rajendra Kumar, (1998), who is still in service in ECIL as Sr.DGM (Personnel) at the time of compilation of this study; observed in his article “An investigation into the contribution of training towards HRD culture / climate / values in a Public Sector Organisation”, that culture is an important aspect of an organisation and is reflected in the values that the organisation holds. He observed that training has the potential to contribute towards organisational culture and values, particularly those relating to HRD.

Sally Sambrook and Jim Stewart (1999) explored in their article the connection between HRD practices and life long learning that is required in certain organisations. According to these two people there are two factors, i.e., which inhibit a learning orientation or which facilitate a learning orientation. Inhibiting factors most commonly cited were: lack of motivation for learning, an insufficiently developed learning culture, lack of clarity on the role of HRD, lack of financial resources and lack of time allotted for developmental activities. However, these same factors are talked about in positive terms, have also facilitated a learning orientation.

M.N. Kulkarni (2000) observed that “HRD is an aid to the efficient running of the enterprise”.

HRD is the integrated use of training and development, organisation development, and career development to improve individual, group, and organisational effectiveness. HRD is a process of developing and/or unleashing expertise through organisation development (OD) and personnel training and development for the purpose of improving performance (Swanson, 2001).

Alphonse (2001) analysed the ‘HRD Climate’ in a hospital by assessing the top management’s belief in HRD, superior subordinate relationship, personnel policies, team-
spirit, employee development, training, employee initiatives and management encouragement. It reported the existence of a reasonably good climate with an average score of 3.46 in the ‘HRD Climate’ assessment scale. This study used the ‘HRD Climate’ Scale developed by T.V. Rao.

A study by Mishra and Bhardwaj (2002) reported that the managers in a private organisation perceived the ‘HRD Climate’ as favourable. The top management's commitment to HRD, integrated HRD system, well defined personal policies and culture of openness are listed to be the strengths of HRD in that organisation.

M.N. Khan (2002) remarks that, “HRD is the process of increasing knowledge, skills, capabilities and positive work attitude and values of all people working at all levels in a business undertaking”.

Human resource development (HRD) may be seen as one of the core moral management functions. It is intended to help people learn and develop, which must be seen as a good thing. Hatcher (2002) has expanded this belief into an argument that HRD departments have a leadership role in transforming their organisations into good corporate citizens.

Reta Kaul (2002) in her article ‘Beyond VRS towards strategic HRM’ discussed the need for strategic HRM through the implementation of HRD practices in the PSUs in the context of changing environment, consumer demand and technology.

Clarie Valentin (2003), observed that mainstream research in management and HRD is dominated by a positivist paradigm. According to Clarie Valentin, critical view about HRD on the backdrop of postmodernism is desirous.

Jim Stewart (2003) establishes a connection between the concepts of learning organisation and human resources development in his article “The current state and status
of HRD research" and found that, human resource development research is developing the potential to lead in fundamentally changing the nature of organisation, management and work. A final conclusion is that the concept of human resource development and that of the learning organisation have much in common.

While describing the HRD in Indian organisations, Gupta (2004) concluded that the focus of HRD in Indian organisations is on the development of the competencies of people. It also emphasizes the development of an organisational climate that would facilitate and sustain the process of employee development and commitment.

Anil Kumar Singh (2005) in his article “HRD Practices and Philosophy of Management in Indian Organisations” observed that, the philosophy of HRD management showed a blurred picture in the public sector organisations. Though the top management’s views and balance sheet emphasized the belief of the organisation towards McGregor’s (1960) Theory Y, however the analysed responses proved that HRD management philosophy was not clear to managers working in these organisations. In fact, the Indian public sector organisations started as welfare organisations. However, the impact of market economy has led to a competitive environment. Though the public sector organisations have started realizing the impact of competition, it is difficult for them to understand when they lost their focus on the HRD philosophy.

C.N. Daftuar (2005) in his article “Integrating HRD with Line: Whose responsibility is this?” observes that, “HRD in India is on the cross roads. However, HRD is here to stay. Only, its form and philosophy are at stake. If we want it to survive as a practical ideology, we need to be non-bookish and more pragmatic, more accommodative, more down-to-earth practitioners. We are responsible for it. And, we shall be responsible for its growth (or extinction!). The time to decide is NOW.
Rao T. V. and Rothwell (2005) have presented a case for bringing convergence and integrating HRM and OD though HRD audit in their article “Organisation Development Experiences – A Case for Enriching HRD through OD”. It was suggested that all HRD professionals should build OD competencies as internal change agents. HRD was conceived as change managing function and learning promotion function. Even thirty five years after evolution of HRD, the importance of OD skills for HRD practitioner seems imminent as “Change” has become the order of the day and with fast rate of change required and ROI consciousness all over developing OD skills is a business imperative.

Colin Fisher (2005) in his article “HRD Attitudes: Or the Roles and Ethical Stances of Human Resource Developers” observed that, all the roles have been argued to possess potential ethical limitations and the conclusion is reached that HRD practice is not ethically uniform and is not necessarily an unambiguously good thing.

Ian Smith (2005), in his article “Benchmarking Human Resource Development: An Emerging Area of Practice” proposed that “Benchmarking provides one means by which organisations can assess, by comparison with others, their HRD effectiveness. Learning from the experience and practice of other organisations through benchmarking can also contribute to improving HRD at practical operational levels. An example of practical benchmarking by HRD practitioners may be the sharing of information for mutual benefit – for example sharing information regarding successful or unsuccessful approaches to dealing with particular training and development needs.

T. V. Rao (2006) in his article “Strength Based HRD Audit as an OD Intervention” stated that HRD audit is a comprehensive evaluation of the current human resource development strategies, structure, systems, styles and skills in the context of the
short and long-term business plans of a company. HRD audit attempts to find out the future HRD needs of the company after assessing the current HRD activities and inputs available.

**S P Kandalgaonkar (2006)** in his article “Coming to terms with HRD Philosophy” observed that, HRD managers need alternative theory and assumptions to move away from restrictive and sometimes harmful assumptions of neoclassical economics. It argues that assumptions and theory of neo-institutional economics rather than neo classical economics can help HRD managers use HRD technology for optimizing the need of individual and organisation. The so-called HRD tools are in fact used for maximizing organisational gains at the cost of human resources.

**Arif Hassan (2006),** in his article “Human resource development and organisational values” observed that, “HRD as a means to realize cherished organisational values. Concern for employees’ development through better system of identifying their potentials, promoting those potentials, providing learning and training opportunities, and performance guidance made significant impact on employees’ ratings of several values that their organisations intended to promote.

According to **Harish Chandra (2006)** HRD is a productive function which does not merely respond to organisational requirements but in fact anticipates the organisational requirements and prepares the people and hence, the organisation to face the future challenges with confidence.

**Vijaya Banu C (2007)** in his observations felt that, to survive and excel in the new economy, the ‘HRD Climate’ is of crucial importance to the Indian public sector organisations. The human resource of an organisation must be best managed for its development and success. The economic development of a country can be achieved
through exploration of natural resources, availability of physical and financial resources, and international aid. However, none of these factors is more significant than the efficient and committed manpower of the country. The study ascertains the relative importance of 'HRD Climate' for the success of the public sector undertakings.

Srimannaryana. M, (2007) based on the responses of 212 employees working in a local bank in Dubai, this study made an attempt to assess the human resource development (HRD) climate in the bank through a questionnaire containing 38 items, developed by the Xavier Labour Relations Institute (XLRI), Jamshedpur. The study revealed that a good 'HRD Climate' was prevalent in the organisation. The areas of difference were identified in this study among the various categories of 'HRD Climate'. An attempt was made to find out the differences in the perception of 'HRD Climate' among the employees, based on position, nationality, gender, and age.

According to Chien-Chi Tseng, Gary N. McLean (2008), organisations that learn and develop their strategic HRD practices have more opportunities to obtain and integrate the nine HRD outcomes in the learning process: organisational mission and goals, top management leadership, environmental scanning, HRD strategies and plans, strategic partnerships with line management, strategic partnerships with HRM, trainers as organisational change consultants, influence corporate culture, and emphasis on individual productivity and participation.

Anil Kumar Singh (2009) in his article “HRD practices & organisation culture in India” observed that the HR practices have been developed in the context of industrial change and economic development. Managers in the organisations would be confronted with the need to reorient culture, thinking and paradigms. HRD as a function and as a prime mover would need to focus on this changing and emerging role. There are very few
evidences where values or organisational culture is directly linked to HRD practices of
the organisation.

Dr. T. V. Rao (2010) in his latest article “HRD In PSUs At A Crossroads”
highlights the history of HR in Indian PSUs - the rise and the fall; and how PSUs can do
the right things and do things right. He observed that in many PSUs, HRD interventions
seem to have become short-term-target driven. As a result they have taken away the spirit
and pleasure of implementation. The HR managers and their top level managers are to be
blamed for this. Today is the time they can take lead and make things happen. They have
the freedom and opportunity. The most important strength of PSUs is that they are secure,
being Government-supported. They have great scope to innovate. It is not difficult to
raise funds. Technologies can be acquired fast and easily. They already have reasonably
robust systems. Perhaps the only thing needed is talent.

In an article on Indian PSUs, Suma EP (2011) discusses that the PSUs have
embarked on the path of ‘Expand, Diversity and Grow’, showing the way for the rest of

2.2 A Bird’s Eye View of Indian PSUs

Prior to India’s independence, there were few ‘Public Sector Undertakings
(PSUs)’ in the country. These include the Railways, the Posts and Telegraphs, the Port
Trusts, the Ordinance Factories, All India Radio, few undertakings like the Government
Salt Factories, Quinine Factories, etc. which were departmentally managed.

Two hundred years of colonial rule crushed Indian Industry with exhausted
resources. At the point of independence, the Indian political leadership was convinced
that political freedom without economic freedom was of little use. The private
entrepreneurs of that time did not have the vision, resources or capability or even the will
to undertake heavy investments in core sector industries which have long gestation periods. Besides, given the ideological environment and shortage of supplies, it was only natural for the government not to choose a system controlled by the private enterprise.

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 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 undertakings. ‘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 the 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.
In the Indian context, PSUs primarily constitute the corporate bodies where 51 percent or more equity is held by the government, created under the special acts of legislature, or registered under the Companies Act, 1956. The Indian Public Sector is very huge in size consisting of the nationalised banks, financial institutions, insurance companies, defense undertakings, and transport undertakings in roads, railways and airways are repositories of massive public investment.

Initially, the public sector was confined to core and strategic industries. Projects like the Damodar Valley Cooperation, Sindhri Fertilizers and Chemicals, Indian Telephone Industries, Hindustan Machine Tools, steel plants, aircrafts, shipbuilding, Bharat Heavy Electricals Limited, Oil and Natural Gas Corporation, and a host of others. The second phase saw mainly three trends, a nationalisation spree and takeover of sick units from the private sector, and entry of the public sector in new fields like, manufacturing consumer goods, consultancy, contracting, and transportation etc. Many foreign firms like Jessop & Co, Braithwaite & Co, Burn & Co etc were nationalised. Several hundred life insurance companies were absorbed into the Life Insurance Corporation (LIC). Hundreds of coal mines were transferred to the Coal Mines Authority. Then the public sector entered into fields like making medicine, weaving cloth, and running hotels.

During the 1970s and 1980s the growth of PSUs was phenomenal, wherein it undertook works like providing power and potable water, laying roads, constructing townships with basic amenities like schools, markets, hospitals and recreation clubs. The new strategies for the public sector were outlined in the policy statements in the years 1973, 1977, 1980 and 1991. The year 1991 can be termed as the watershed year, heralding liberalisation of the Indian economy. Prior to 1991, mainly 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.

During 80s and 90s, the public sector was facing many problems. Frequent strikes and lockouts were responsible for low productivity. Shortage of power and other essential inputs like raw materials have also contributed for low capacity utilisation. The political interference in the day-to-day working of these undertakings was also responsible for low profitability. These sectors are controlled by the Departments of Government which run on non-business like principles. Since, the government provides capital; they are dependent on it for policy decisions and suffer from red-tapism. Any delay in decisions may cause the enterprise sufficient losses. The management has no personal interest in its efficient working. The full capacity is not utilised, which results in low profitability. The salaries paid and number of employees in these undertakings is generally high. Over the years, a focused bureaucratic and inflexible approach led to the sapping of the autonomy. Somewhere down the lane, the government lost clarity in its roles of governance, as investor, regulator and business manager. The government paid little heed to the constitution of the board of directors, and hardly empowered them.

Post-1991, with declining revenues, and budgetary gaps, the government withdrew its budgetary support, and increased the pressure on them to produce profits, and thus dividends. While, their social and other gains are taken for granted, PSUs are being criticised for not producing adequate profits. With the advent of globalisation, the public sector faced new challenges in the developed economies.

The successive governments since 1991 started taking steps to remove these bottlenecks which now have started yielding results. No longer the public sector had the privilege of operating in a sellers market and had to face competition both from domestic
and international competitors. Further, in the second half of the 20th century in the developed economies, the political opinion started swinging towards the views that the intervention as well as investment by government in commercial activities should be reduced to the extent possible.

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 liberalised economy with greater reliance upon market forces, a larger role for the private sector including foreign direct investment.

The Indian government realised that a strong and growth oriented nation could be built if India grows as part of the world economy and not in isolation. Thus, liberalising 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 – 1991' 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 PSUs, enhancing limits of foreign equity participation in domestic industrial undertakings, liberalisation of trade and exchange rate policies, rationalisation and reduction of customs and excise duties and personal and corporate income taxes, promoting Foreign Direct Investment (FDI), investments from Non-Resident Indians (NRIs), extension of the scope of CENVAT, implementing the Value Added Tax (VAT) regime in States, taking steps to switch over to goods & services tax system w.e.f.
Industrial policy has seen a sea change with most central government industrial controls being liquidated. The Central Public Sector Undertakings (CPSUs) were classified into 'strategic' and 'non-strategic'. Strategic CPSUs were identified in the areas of (a) Arms & Ammunition and the allied items of defence equipments, Defence aircrafts and 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 CPSUs 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.

India succeeded in maintaining its economic growth at above 6% largely on account of large doses of government stimulus package, which included a large expenditure programme on infrastructure. The government also shielded the Indian consumer's interests from the influences of international market by subsiding fuel, food and fertiliser prices. None of these policies would have been possible without the resources made available by the large government owned undertakings.

Being the largest commercial undertakings in the country, PSUs provide a huge leverage to the government (their controlling shareholder) to intervene in the economy directly or indirectly to achieve the desired socio-economic objectives. At times, these objectives may be misplaced but at others especially in times of do-or-die situation such as in 2008, LIC, one of the largest PSUs, was probably the only large investor in the Indian equity market when rest of the large investors preferred to stay away during the
market turmoil of 2008. PSUs play a key role in steering the national economy in the right direction.

It does not mean PSUs are important only during the time of crisis. In normal course also it is difficult to think of the Indian economy without public undertakings given the India's socio-economic and demographic reality. The sector is deeply entrenched in the domestic economy and their business operations are now enmeshed in the common man's life. It is difficult for an emerging economy like India to achieve sustainable economic growth with a small or non-existent public sector. These government-owned commercial undertakings possess the unique ability to rise above the short-term commercial interest to invest in local assets and resources so as to maximise the long-term economic gains.

The underlying reason for such an extensive presence of PSU in Indian economy lies in the economic policy adopted after independence. A greater thrust was given on economic development with social perspective. In order to attain this, the method of central planning was adopted. The important indicators to measure the performance of PSU are the share of PSU in total GDP, in gross domestic capital formation, total employment in PSUs and prices deflator for the sector. The PSUs share was just 10% in the beginning of the seventies, which grew rapidly in the following two decades and more than doubled to 25% by 1990-91.

However, the share remained relatively steady during the nineties and came down gradually in the recent years due to privatisation and disinvestment policies. Yet, PSUs still account for one fifth of the total GDP during the financial year 2008. The public sector accounted for 22% of gross domestic product and 12% of the gross domestic savings during the year ending March 2009.
The PSU also play vital role in augmenting the country's capital stock which is crucial for the long-term economic growth. The share of public sector capital formation in gross domestic capital formation was merely 35% at the beginning of the first five-year plan (1950-51). However, it was raised to more than 50% during 70s and remained steady in later years. The process of deregulation and liberalisation began in late 80s had gradually reduced the overall share in total fixed capital formation. It accounted for nearly a quarter in the financial year 2009.

The fall in the share of public investment was not because a shift in investment from the infrastructure to less capital-intensive sectors but it was due to increased efficiency of public sector, which largely gone unnoticed. Apart from these achievements in terms of their contribution to the quantitative targets of production, their performance is also satisfactory in achieving the social objectives like self reliance in strategic sectors of the economy, the growth of small scale and ancillary units, establishment of modern industrial sector, built up of infrastructure, balanced regional development and the formation of technological skills. It has also encouraged social control on trade and industry for ensuring equitable distribution of goods and services.

There are a large number of private sector units today, where ownership rests with government owned finance institutions. These companies are not hampered by bureaucratic control, and therefore are able to perform much better. Privatisation may have served as an alternative to some of the developed countries, but a country like India has to find its own solutions bearing in mind its needs.

The basic objective is profit maximisation in case on of any private sector enterprise while it is not the case for PSU. Till now, India has not resolved all its traditional issues like lack of modern technology in strategic sectors, under exploitation
of local resources, a thin and lopsided industrial base, skewed income distribution, regional disparities and high unemployment rate for which the PSUs were actually set up. So, one cannot rule out the continuing existence of the public sector to meet these objectives.

In many cases, PSUs have better systems, which minimises abuse of power by an individual or a group of individuals that may endanger long-term viability of a firm. The global financial crisis of 2007 and 2008 showed that a private sector enterprise can become a vehicle to maximise management's wealth, like in the case of 'Satyam Computers', rather than the shareholders' value. This abuse of power is difficult in a public sector, with its layers of accountability and inbuilt financial conservatism.

It does not mean that public sector should function in its traditional ways. The political and bureaucratic constraints that hamper the functioning of PSUs like Air India and Bharat Sanchar Nigam Limited (BSNL) must go. The government should fix the ground rules and then let the PSUs operate at an arms length from the government. The main elements of the latest government policy towards ‘Public Sector Undertakings’ are given below:

✓ To devolve full managerial and commercial autonomy to successful and profit making companies operating in a competitive environment.
✓ Generally, profit-making companies will not be privatised.
✓ Every effort will be made to modernise 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.

✓ Privatisation revenues will be used for designated social sector schemes.

✓ Public sector companies and nationalised 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 CPSUs and their managements. It was recognised that public undertakings 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 realised that ‘Navratnas’, ‘Mini-Ratnas’ and other CPSUs 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 Undertakings and evaluation of performance of CPSUs through Memorandum of Understanding (MOU).

In the present competitive industrial scenario, the key components for success are procurement, sourcing and delivering the products and services across global markets far more rapidly than the competitors. 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 Indian authorities have issued guidelines to facilitate smooth business transactions by restructuring the tax component to the advantage of the investor. 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, realisation of stock market valuations, create value for shareholders, etc. are some of the 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 Undertakings 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’ CPSUs, which enjoy greater autonomy to incur capital expenditure and enter into joint ventures in India and abroad are availing these opportunities for rapid growth overseas. Acquisitions, joint ventures 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 re-structuring of public sector undertakings is ‘Disinvestment’ in select CPSUs. The statement of ‘Industrial Policy of 1991’ stated that in the case of selected undertakings, part of government holdings in the equity share capital of these undertakings will be disinvested in order to provide further market discipline to the performance of public undertakings.

Some CPSUs such as Videsh Sanchar Nigam Ltd. (VSNL), Indian Petrochemicals Corporation Ltd. (IPCL), Maruti Udyog Limited (MUL), CMC Ltd., etc. are already privatised. In addition, there are CPSUs which have been acquired by other CPSUs 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 CPSUs as in the case of MRPL (Mangalore Refinery and Petrochemicals Limited), which was a
joint sector company and became a CPSU subsequent to acquisition of its majority shares by ONGC. There are also cases of offloading of some equity shares in the market or to another organisation, and forming joint-ventures, by CPSUs.

Even now the public sector attracts the best human talent in the country. It not only provided jobs to people in different regions, but invariably employed all the displaced people as well. The public sector to a larger extent succeeded in meeting the objectives and laying a strong foundation for the industrial development of the country. It is widely recognised that the public sector management is based on strong systems and processes which is not usually the case with the private sector. At the height of its development, the public sector was less concerned with making profits but more with nation building activities and creation of employment. Huge investments were made in those sectors which did not promise adequate return on the capital invested.

Most of Indian PSUs are economically viable and the nation receives a huge amount every year of corporate taxes from them. Their counterparts in the private sector evade paying any tax or they pay a very small amount which cannot be avoided. A large number of Public Sector Units were built up brick by brick with the money of tax-payers in India. However, profitability alone could not be a judge of Public Sector Undertakings. Growth with social justice is the laudable objective of public sector. They have served as pace setters in the technological advancement and industrial growth of the country. They have also acted as an instrument for social change. By better utilisation of their capacities, they may act as model undertakings in the country.

In short, Indian economy could lose its vitality without Public Sector Undertakings considering the country's existing socio-economic structure. But there is an urgent requirement to address inefficiencies and limitations pertaining to the sector. Mere
privatisation of all public sector units could not be the only solution to it. Rather, there is a need to have a fresh look on the role of PSUs in Indian economy and need to realign the policies accordingly.

2.3 A Brief Note on HRD Practices in Indian PSUs

Human Resources (HR) is one of the most complex and challenging fields of management, as it deals with the people dimension in business management. 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, private or public which have business operations in fields such as services, infrastructure, engineering, banking, airline, hospitality, biotech, medical, retail, etc. The demand-supply equation for talented professionals is heavy; as such 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.

In the Indian public sector, HRD practices and its management have a long way to go in order to achieve professional and competitive HRD standards. There is a lot to be done by the HR departments in the PSUs 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 HRD professionals such as business strategic partners, the change agents, the consultants, the service-providers, etc.
The biggest challenge now-a-days being faced by CEOs in the Indian PSUs is HRD, as it plays a strategic role in the growth of these organisations and thereby maximising returns on investment. The HR management's role in the Indian PSUs is to perceive itself as the key business strategic partner in the organisation and it has to identify its key role with clarity in the context of organisational working as well as contributor to organisation's strategy. Strategic HR practices help the Indian PSUs organisation in achieving long-term and short-term goals through optimum utilisation 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 to come out from its traditional role of managing HR alone.

The changes in industrial scenario since 1991 have sent clear signals to the Indian public sector to reconsider their HRD practices and formulate the HRD strategies with a focus on profitability on long-term basis. To achieve this, the thrust has to be on competitive HRD policies & practices. Top managements of the Indian public sector should now focus to build undertakings 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 Undertakings. The HRD practices of the Indian Public Sector Undertakings are also required to keep pace with the changing legal and governmental regulations.

PSUs in India have been attracting since their inception, the highly competent people to join with them as it is a prestigious thing for the degree holders of engineering and management from leading educational institutions to join corporations like BHEL, BEL, HMT, HAL, ECIL and the like. The Public Sector Undertakings 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 is generally given its due respect in the public sector. However, the situation has changed in the last 15 years. Earlier there was little opportunity available for professionals to migrate from one organisation to another, but during the last decade ample opportunities have been opened up for them to leave the organisation. 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 right approach requires that employees or the work force be treated as resource and thus, the relationship between the management and employees should be valued in high esteem in an organisation. It is high time that CPSUs should reorient themselves in the matter of human capital and they must ascertain motivational methods for both tangible and intangible employees. It is in this context that periodic revision of remuneration in the CPSUs is necessary. The Salary revision for the executives & non-unionised officers is done by the ‘Government of India’ through the Department of Public Enterprises (DPE), the nodal Department for CPSUs. For the revision of salary of public sector employees, DPE issues broad guidelines to be followed by the CPSUs.

The first National Labour Commission, which had submitted its report in 1969, had promised a lot in the direction of social security, social welfare, wages, social insurance, industrial relations, industrial adjudication, collective bargaining, etc. In sequel to the recommendations made in the report of the first National Commission on Labour, a series of enactments were passed. After a gap of around 30 years, the Second National Labour Commission (NLC) was constituted to suggest rationalisation of existing laws relating to labour in the organised sector, and to suggest an umbrella legislation for
ensuring minimum level of protection to the workers in the unorganized sector. The report was submitted in the year 2002 to the government of India. The need for setting up of 2\textsuperscript{nd} NLC was felt due to vast changes occurring in the economy during the last three decades particularly in the post-liberalisation period.

The labour laws other than Industrial Disputes Act, 1947 are re-examined to harmonise and streamline the procedures. More emphasis is being laid down to build effective labour laws, which reflect the need for a change in the mindset and the need for major reforms to address the issue of globalisation.

The first 'Pay Revision Committee (PRC)' was appointed vide resolution dated 10\textsuperscript{th} December 1996, under the chairmanship of Mr. Justice S. Mohan (Retd. Judge, Supreme Court) with three members and a member secretary, to examine the structure of pay, allowances, perquisites and benefits for the board level, below board level executives and non-unionised officers, taking into account the total package of benefits available including non-monetary ones and suggest changes therein which may be desirable and feasible. The committee was requested to make its recommendations initially within a period of six months which was further extended upto 31.10.1998 after taking into account the report of the 5\textsuperscript{th} Central Pay Commission (CPC).

The 2nd PRC has been constituted by the DPE; vide resolution dated 30th November 2006, under the chairmanship of Mr. Justice M. Jagannadha Rao, with 4 members and a member secretary. The committee has been requested to submit its recommendations to the Government of India (GOI) within a period of 18 months. While finalising its report, the committee will also take into account the report of 6\textsuperscript{th} CPC. Dr. Ramesh Chandra Panda, the then Secretary, DPE was ex-officio member till his
superannuation on 29.2.2008. Thereafter, Shri R. Bandyopadhyay, assumed the charge of Secretary, DPE on 03.03.2008 and became the ex-officio member of the Committee.

In view of the present scenario and the challenges ahead for the public sector and in particular the competition from the ‘Private Sector’ and Multi National Companies (MNCs), the second PRC is conscious of its role to recommend a comprehensive pay package to the CPSUs so as to improve efficiency, productivity & economy through rationalisation of organisational structures, systems and processes. The committee also emphasise the need for functional and operational autonomy for the CPSUs along with the need to improve transparency, discipline, accountability, assimilation of technology and research and development. The committee has taken into account current categorisation of CPSUs such as Schedule ‘A’, ‘B’, ‘C’ and ‘D’ and their status as Navratna, Miniratna, loss / profit making CPSUs.

The committee also views that its recommendations should harmonise the functioning of the CPSUs with the demands of the emerging national and global economic scenario. The Committee has kept in mind the other relevant factors like totality of benefits available to the employees, need of rationalisation and simplification thereof, prevailing pay structure and retirement benefits available, as well as economic conditions in the country, need to observe financial prudence in the management of CPSUs, resources of the CPSUs and the demands thereon, on account of economic and social development and the global economic scenario and competitive environment.

While making recommendations, the committee has kept in mind the general principles, financial parameters and conditions, which should govern the desirability, feasibility and continuation/modification of the productivity linked incentives schemes and performance related payments. The 2nd PRC has interacted with many CPSUs,
‘Officers Associations’ of various CPSUs and other agencies and consultants including Institute of Public Enterprise (IPE), Department of Atomic Energy (DAE), Department of Defence Production, Public Undertakings Selection Board (PESB), Board for Industrial and Financial Reconstruction (BIFR) and some private undertakings during its sittings at different locations.

With the opening up of the economy in the nineties, HRD succumbed to pressures due to Liberalisation, Privatisation and Globalisation (LPG). HR departments had to largely perform the painful role of downsizing the employee force and to implement Voluntary Retirement Scheme (VRS) schemes like golden hand-shake and etc... As such, they were under tremendous pressure to perform. Due to these prevailing conditions at that point of time, HR managers could not think of innovative HRD practices of developing the current manpower, upgrading their skills, organising change management programmes and developing a new era of leadership.

There was also pressure to increase the overall organisational performance, improving the quality of products, cost cutting, etc to sustain themselves in the operating field with the backdrop of LPG. During this period only there is an exodus of many public sector employees joined with MNCs and other profit making private sector organisations. The HRD managers of PSUs helplessly watched this talent migration. During this period most of the PSU chiefs were busy with debates on privatisation or disinvestment, while the private sector and MNC companies were busy running successfully.

However in the subsequent period there was emergence of various HRD activities by some of the PSUs. SBI under the guidance of the then Banking Secretary Dr. Y. V. Reddy introduced Assessment Centre approach in top level promotions. IOC has started
its Petroleum Management Institute. Reserve Bank of India (RBI) appointed an HRD advisor to change its systems.

*National Thermal Power Corporation* (NTPC) profiled the competency requirements of its GMs and EDs in the early part of this century. *Oil and Natural Gas Corporation* (ONGC) also started Assessment and Development Centres for their Asset and Basin managers. *Steel Authority of India Limited* (SAIL) has incorporated 360-degree in its performance appraisal system. *Hindustan Aeronautics Limited* (HAL) has been running leadership development programmes with the help of IIMs and other consultants. *Bharat Electronics Limited* (BEL) has been using change management to train its managers. *Life Insurance Corporation* (LIC) has started a one-year post graduate programme to develop its internal talent, with help from IIM-A. Bank of Baroda has identified a large number of its top level managers, aged above 50 years, and worked out leadership development interventions. *Bharat Petroleum Corporation Limited* (BPCL) has been conducting a number of change management initiatives by developing internal change agents, and has even facilitated a nationwide study of the competencies required for new CEOs in private and public sectors.

The recently released directive from the DPE appealing to all PSUs to revamp their HR departments and make them more robust and transparent, especially in view of the introduction of performance-based pay, is laudable and may give rise to some innovations and accountability.

Indian PSUs initiated good HRD systems to increase the competencies of its human resources to achieve their goals and objectives. Pay-for-Performance philosophy has become an emerging HR trend, which increases organisational effectiveness by aligning employee effort to the organisational mission. The rating of accomplishment of
individual, team or business groups and having distinct differences in performance incentives between good performers and non-performers send clear messages to the workforce that deliverance of results affects everyone in the organisation.

The following observations are made from the survey and experiences of Rao T. V., while working with a few public undertakings and interacting with the executives of these public undertakings. According to his observations the present status of HRD in 'Public Enterprise' is as follows:

a) There is no clear-cut philosophy of HRD in many organisations and there is a need for making a planned effort to develop human resources in the particular organisation.

b) Every organisation uses some of the mechanisms of HRD but not with the purpose of development in mind.

c) Mechanisms like potential appraisal, feedback and counseling, organisational development are not used in full form in most public undertakings.

Thinking innovatively to bring-in new initiatives in the HRD activities in the PSU organisations is one of the major issues neglected by the policy makers of these PSUs. Most of the HR managers now-a-days are forced by their top managements in PSUs to surrender their intellectual faculties to consultants. This brings down the credibility of HR system of a PSU. Many HR managers in PSUs are reducing themselves to become outsourcing managers rather than change agents. The top management is so busy with policy issues that it is neglecting human resource development function. The credibility of HR at present in most PSUs is at its lowest in spite of the scope for great work. The problem of HRD in PSUs has been that of failure in consistent implementation of HRD ideas.
However, HRD as a function is now getting more and more popular in the Indian Public Sectors. Many organisations in public undertakings have established either new departments to perform these functions or added new responsibilities of HRD to personnel departments. Some have even re-designated their training managers as HRD managers.

Most of the public undertakings are now in almost in the maturity stage of their life cycle. These organisations have moderately stabilised themselves in various socioeconomic objectives like self reliance in strategic sectors, balanced growth, increase in employment and generation of surplus for reinvestment etc, by paying some attention to HRD, even though it is not adequate enough. The future challenge can not be met until and unless there is a development of human resources to the fullest. This has to be viewed as no less important a function than the other commercial functions. The need and scope of HRD is very high. In public undertakings the top management personnel are also expected to create an appropriate work climate that will enable people to achieve the personal goals along with the organisational goals. This is one area where the public undertakings have considerable autonomy; autonomy in relation to the development of human skill and management abilities.

The last ten years have again seen a rise of HRD in the Indian PSUs. With increased success of liberalisation, the PSUs have realised that there is no alternative for implementation of HRD practices and have come to terms with the reality. There is an opinion in the job market that PSUs cannot compete with MNCs as far as payment of big and attractive salaries. However in reality the CTCs of PSUs are underestimated compared to what they really give to their employees. On the whole the present existing
economic environment in India coupled with the reforms in PSUs is challenging the HR manager in PSUs to perform the HRD practices.

Today many good things are going on, however there is a great qualitative difference in the way HRD interventions are being made today as compared to the eighties. Something is missing, perhaps the spirit to implement the HRD activities with dedication and commitment. In many PSUs, HRD interventions seem to have become short-term-target driven. As a result they have taken away the spirit and pleasure of implementation. The top management and the HR professionals are to be blamed for this.

Various other articles and management reviews published in journals and magazines like Indian Journal of Training and Development, Vikalpa of IIM-A, Business Today, other Journals on HRD and Business and etc., were referred while pursuing the research work by this researcher.

The next chapter deals about the history and profile of ECIL in detail.