PART III

CHAPTER VII

I COME, I SAY, I CONQUER (?)

Findings 'about' the Finkor

There used to be in government this important officer known as the rat-catcher. He has been replaced by a Rodent Control Officer, who, of course, has to be paid a great deal more. The rat-catcher brought in to clear rats out of the warehouse was always ready to carry out a picturesque and dramatic campaign. He was always careful to leave two rats behind of opposite sex when the task was completed. He did not want to drop himself out of the job; he wanted to clear out the rats again next year, and so it is with particular departments to deal with drugs or pornography or whatever it is. They will always perpetuate things they have been designed to suppress.

Discarding the 'laissez-faire' principle, when the State entered the scene of Industry and Commerce, thus taking over the role of a "model employer", the importance of personnel management increased. In a mixed economy as ours, where the State has more 'men on its roll to manage', the science of personnel management gains additional significance. And this field, since it involves the study of man, the more you go into it, the more enigmatic it becomes.

In India, the personnel function has come to be regarded as an important area of management only recently. Even today, the personnel department does not enjoy the same status as other departments such as Production Department, Finance Department or Sales and Purchase.

1 Northcote Parkinson C, in a talk on "Excessive Controls" at Calcutta, June 1961, quoted in Indian Management, Jan 1965 p.13
Department. It indicates that you have failed to understand that human beings are the most valuable assets of any organization and the success or failure of the organization depends on them. If Japan or America or any country has reached the pinnacle of success, it is mainly because its men are well looked after.

Observations, Suggestions and Policy Implications:

The present study, though a case study of VISL, has got much to contribute to the policy makers in general: in industry, in government at the national and state level and in the unions.

In VISL, as in many other public enterprises, the human element of organization has not been given the attention it deserves. Public enterprises in large numbers are running into losses. Most of them are plagued by poor industrial relations. VISL, the biggest employer among the manufacturing units, coming under the State (Karnatak) sector, also falls in this category. It was the first steel industry under the public sector in the country, the "dream realiced" of Sir M V. It has been rendering a great service to the economy of the State by leading it towards self-sufficiency in steel production, but its achievements are by no standard comparable to the blue-print that was in Sir M V's mind. Low productivity of labour, high personnel cost, managerial inefficiency, indiscipline among its employees, are all that could be shown by VISL today.

Personnel Management and VISL:

A department that could be called a personnel department came only in 1956 in VISL. The consequences of not giving from the beginning due
recognition to the personnel function in VISL have been quite
disastrous as rules and regulations regarding personnel matters were
not formulated for quite some time and issues relating to personnel
policy and problems received attention only when much damage had been
already caused to the industrial relations fabric.

The absence of efficient and effective personnel departments at
VISL during the formative years of the enterprise has been responsible
for lack of proper planning, organization and control of manpower. A
personnel department is a must for any undertaking and should be orga­
nised simultaneously with the setting up of other major departments.
Only such persons who are trained in the field of personnel management
and have adequate background of labour relations should be appointed as
Personnel Managers.

It is therefore essential that if in the future a decision is taken
to have a functional board of directors in VISL, a full-fledged direc­
tor of personnel should be appointed right from the beginning. And such
a person should be an expert in the field of man-management.

Role of the Personnel Department:
Since its inception, Personnel Department was only a part of the
production organisation and reported to the General Manager in VISL.
It was only in 1972, after the creation of the post of the Chief
Administrative Officer, Personnel functions were taken out of the
purview of the General Manager and placed under the CAO.

But today, the personnel department is not adequately manned for
the tasks it is called upon to perform. Infact, the post of chief
Personnel Manager has never been filled. One cannot miss a feeling that
this department is not treated on par with other important departments like, Production, Finance, Sales and Purchase, etc.

It is fortunate so far that VISL had cordial relations with its employees and workers. There are three trade unions of which one is recognized. There are arrangements for weekly meetings. A weekly meeting presided over by the CEO considers all major problems in specific departments of the plant taken up by rotation. Apart from the weekly meetings, there are 30 joint committees to manage different areas of activity. All those committees, as well as the weekly meetings, need to be properly serviced and decisions taken promptly, for follow-up action. These generate a volume of work for which the personnel department is at present inadequately staffed.

Leadership:

Men at the top with the cooperation of men below can make or mar an organization. It requires dynamic leadership quality in men at the top to see an organization through success. VISL and similar other public undertakings have greatly suffered because of managerial failures at the top. Sound managerial practices could not be built because of frequent changes of Chief Executives. (Please see Appendix II for a list of Chief Executives of VISL.) Civil servants put at the helm of affairs in the company have, by and large, failed to provide good leadership. The training and background they generally brought with them has not matched the requirements of industrial and commercial side of the undertaking. Such appointments have not always been made on merit. And if chance gave VISL effective leadership in a few officers during whose time the company showed signs of growth, they were not kept long because
their managing style was not very savoury to many a dishonest politician.

What is being stipulated by Section 10 A and D of the Banking Regulations Act of 1949 can be stipulated in case of all the public sector undertakings as regards the composition of the Board of Directors and selection of the Chairman.

According to Section 10 A of the Banking Regulations Act of 1949:

The Act seek to include on the board of Directors of a Banking Company persons having professional or other experience. It therefore, provides that not less than 51 per cent of the total number of members on the board of Directors of a Banking Company shall consist of persons who satisfy the following conditions:

They shall have special knowledge or practical experience in respect of one or more of the following matters, namely:


Section 10 B of Banking Regulation Act 1949:

Every Banking Company shall have a whole time Chairman, who will be a professional banker and not an industrialist.

If these precautions are required because a banking company is run on public money, then one may ask on whose money is a public undertaking run? If on tax-payer's money, then why not similar...
conditions for it? The company would be considerably benefitted by the maturity and judgment of such professionals in tackling the specific problems.

As regards the Board of Directors in VISL, it should be reconstituted, as suggested by Mr. R.C. Dutt in his report on VISL, with four whole time functional directors in addition to the Managing Director. These four will cover the areas of:

a. Technical and Production
b. Financial
 c. Personnel
d. Commercial

This restructuring introduces a policy of decentralisation which is very essential in VISL. The size of the company being considerably large, the existing centralised system of control has created more red tapeism and bureaucracy at higher levels and lack of initiative at lower levels.

The Managing Director should be given sufficient authority by being made ex-officio chairman of the Board of Directors.

Selection of Directors should be broad based in order to obtain the best talent available in the country. There should be no reservation for any service, but persons within the organisation, if found suitable, should be given preference.

The Government must sincerely implement the policy of appointing professional managers at the top. If the private sector can find talented managerial talent, why not the public sector? What attracts the
boot brain to the private sector could also be introduced in public sector. The additional cost would be well worth meeting in exchange of viable and profit making public sector. Once professional managerial force is brought, it should be given proper autonomy, particularly in the matters of having scientific manpower planning and selection. Public Sector must cease to be the feather bed to find employment for political reasons.

Talking in general for the public enterprises, Mr. Yashwanth Tandon says, "the public has no say, no ownership and no control in the public sector today. It is owned and run wholly by the state, by its political and administrative set-up and the public is kept rigidly out of it except, it might be argued through Parliament."

Mr. Tandon has suggested the reorganisation of the Public Sector Ownership in which the Government could have a 25 per cent share and employees could buy five per cent of the shares on a stock auction basis. Leading bankers and financial institutions could have 10 per cent, 20 per cent could remain with large buyers and seller consumer organisations especially in the public sector and the remaining 40 per cent could be with the public at large.

With this set-up, a two-tier Board comprising a Supervisory Board and a Working Board could be thought of. The former would represent Government financial institutions, customers, employees and specialists suited to the specific disciplines of the organisation. The working Board would consist wholly of full-time directors. The function of the Supervisory Board would be confined to formulation of a long-range

2 Kalyanam; loc. cit.
plan, annual budget and review of quarterly performance while the working Board would be responsible for all operational functions and accountable for all operations.

As regards the Chief Executives, it is high time that the government considered the proposal to fix a minimum of a 5-year term to the chief executives. The quality of management needs to be sharply raised with a view to taking it to levels achieved in the advanced countries; and the government must squarely face the question of insisting on a certain minimum return on capital after reasonable gestation period.

Developing the Top Brass:

Ignoring a problem as though it were not existing does not solve it. It is high time the public undertakings considered the difficulties they face due to scarcity of highly qualified people, competitive bidding by private sector, and the flop of Industrial Management Pool. Measures should be taken to generate a continuous flow of qualified managerial personnel. Time and again suggestions have been made for the establishment of Indian Management Services or Public Enterprises Service Commission, on the pattern of Union Public Service Commission as a way out. These suggestions seem to have fallen on deaf ears.

In considering the problem of filling up of top posts, the sources of recruitment should be as broad-based as possible. Under the current arrangement at VISL, with the Central Government participating in the undertaking (through SAIL), appointments to these top posts have to be made in consultation with the centre. This should ensure a wider field of selection. In any event, the sources of selection should be well defined.
Though these posts need not be reserved for the persons serving in the organisation, they should be preferred if found suitable, particularly when the incumbent is capable of raising himself above the local or plant level controversy/politics. If this source fails to throw up suitable persons other sources should be tried, of persons with the requisite managerial/professional experience. Just because the Britishers put the industrial base in our country their time-worn legacy of deputationist policies need not be followed. This recommendation is not because that general administration officers are inferior in calibre to those drawn from other professions. It is because, general administration in Government is not management of an industry. The two fields are different, and success in one does not carry any assurance of success in the other. Industrial management is a profession by itself. An ideal candidate would be the one with both technical and management expertise for industrial units as a chief executive. To have this, the comparable positions of the grades in the private sector cannot be ignored. The mere consolation of being in public sector is not sufficient incentive. The amount of financial remuneration still plays the most dominant role in making people decide to join or not to join a particular job. A deviation from rigid salary structure may, therefore, be permitted where circumstances necessitate it.

"I made searching inquiries about the salaries of top management personnel in (British) Nationalized Steel Industry. The British Government have stipulated like us, the salary scales of the top management personnel whom the government appoint to their Public Sector Enterprises. Nevertheless, the British Government themselves have deviated from these standard scales in exceptional circumstances. The payment of such higher salaries were found necessary to prescribe the existing salary structure in the industry, without which the higher managerial ranks would have become Cursed of competent men." M O'anna Roddy, in the report on the study of the British Steel Corporation. pp.4-5.
Manpower Planning:

Planning is the key to success for any task. A scientifically planned and properly controlled manpower is a major deciding factor for the success of an organization. VISL's recruitment and selection policy in the past was not sound at all. Even today, it isn't. This is evident from the fact that the plant is over-staffed and for the last decade they have made only a few ad-hoc appointments. Unscientific manpower planning is the root cause of this problem. The quantitative as well as the qualitative assessment of manpower needs was not done properly at the time the project was constructed. Even when construction started no control was exercised on the size of manpower which went on increasing beyond proportions. (Today, after over 60 years of inception only the second generation of the original employees have "inherited" the jobs.) Moreover, job specifications were not prepared and proper assessment of the size of labour force required was not made. Some wrong practices, e.g., appointment of helpers for skilled workers, also caused overstaffing.

What is needed is the identification of the surplus manpower and to arrange with the Karnataka State Bureau of Public Enterprises for deputation of the surplus manpower. This could be done on "last come first go" principle, as is the practice in regard to retrenchment or lay offs. Employees refusing to join new assignments as allotted may be laid off.

What is essential in VISL is a manpower planning group consisting of representatives of line managers, the Industrial Engineering Department and the Personnel Department who should be serviced by a small whole-time cell or secretariat located in the Personnel
Department. The function of this group should be to draw up manpower plans for at least a three-year period taking into account the present as well as the prospective requirements of the plant. They have to take into account new methods introduced and new conditions which come into existence. The studies made by IDON in this regard are long out-of-date.

There needs to be a plan of recruitment. The plan should take into account the basic qualifications required to man the different posts in different departments and provide that persons with these qualifications are recruited. It should also determine the levels at which direct recruitment should be made.

After such a plan is formulated it would be necessary to have a regular programme for recruitment. The present practice of ad-hoc recruitment at irregular intervals be avoided.

Developing the Personnel:

Developing the personnel for the purpose of the industry involves in a systematic programme of induction, in the initial stage, followed by formal training and performance appraisal and then specific training. The responsibility of seeing each employee through those stages is that of the personnel department, which must have competent men as Induction and Training Officers. Where the unit is of a bigger size it must have a full-fledged training department with professional staff. Its training programme must be incorporate with occasional on-site training also. Where necessary employees should be deputed for training abroad.
Human Resources activities have a major impact on individual performance and hence on productivity and organizational performance. Most of our Public Sector Undertakings lag behind mainly because of ill-developed staff. Selecting the right man and placing him at the right job should be followed by the right type of training and education in the best interest of the organization.

Efforts to develop the personnel are almost nil at VISE. (Same is the case with a number of other public undertakings.)

A Training Department adequately staffed should be constituted with two wings, one for Technical and Developmental Training Wing and the other for Managerial Training. The Technical and Developmental Wing should draw up training programmes for the various skills required of the workers and arrange as well as oversee the training actually imparted in those skills. This wing should also provide for development training for regular employees including literacy training. On the managerial side, training should encourage discussions and exchange of ideas on professional subjects. This wing should also draw up regular schemes for deputation to training courses and seminars both within the country and to the extent necessary, abroad.

Performance Appraisal:

Performance appraisals, career developments and promotion rules should be able to motivate the employees and along with the social, environmental and economic conditions be able to keep the morale of the workers high. Morale surveys (as conducted by TISCO) should be conducted to know what is lacking in Public Sector and proper follow up should be taken.
Promotions:

The present emphasis on seniority as the most important, if not the only criterion for promotion should end. While seniority should continue to be one of the factors to be taken into account, merit should be an equally important consideration for this purpose. There are various devices by which both these factors can be given due weight. One of these is to determine zones for promotion on the basis of seniority. Within the zone, officers are rearranged on the basis of merit. Such an arrangement restricts supersession on grounds of merit to the persons in the zone, for a person in a zone can only supersede others in the same zone. These zones should be defined in clear terms. A scheme to give due weight to merit for purposes of promotion presupposes an objective system of assessment of merit. It is important therefore, that service records should be carefully maintained with arrangements for annual assessments of merit by superior officers.

Transfers:

At VISL, there is no definite transfer policy though inter-department transfers do take place. A properly laid out transfer policy, for one, is a device which could be used both as a carrot and a stick. If VISL comes under SAIL, there could be inter-plant transfers which would be of immense help to both the employees (thus transferred) as well as to the organisations. There are many things which are to be exchanged between plants of north and VISL. Plants may transfer a certain number of officers after every three years. Where possible and desirable transfer from sister units may be encouraged. In this connection the policy followed by the British Corporation may be adopted by the Steel
Industry in India. The plants should notify in advance all vacancies to
the head office. The head office should invite applications from the
personnel working in all the units and forward the applications
received to the unit where vacancies occur for consideration. The
mobility of managerial personnel which is found at present could also
be introduced for technical personnel.

Remuneration and Motivation:

The existing pattern of compensating the personnel in public sector
undertakings which are covered by wage boards, joint councils, etc., is
not based on productivity. Automatic raise in pay scales every four
years is another deplorable element of our payment system. The rate of
productivity has no relation, whatsoever, with the pay packet which an
employee gets every month. Dockers' demand for higher DA and its
neutralisation without taking into account its financial burden on the
exchequer, its inflationary potential and its positive influence on
productivity, introduction of compulsory bonus etc., further add to the
labour cost, which estimates up to 40% of the production cost in steel
industry. Those incentives which were begun as incentives have ceased
to be incentives.

Motivation is an important objective, no doubt, for a good deal of
the effort put in by employees at all levels depends on the motivation
which inspires them. But there are various ways in which persons
employed on a common task can be motivated, and while the most
important of these are in the form of cash rewards or career
advancement, a good deal also depends on various other factors. An
objective of good management is to create a feeling of involvement, to
educate the employees on the significance of their work, to allow them
to participate to whatever extent is possible in the process of
decision making and in other ways to treat them as adult partners in a
common endeavour.

With regard to the main motivation force, however, the workers and
the officers have to be dealt with separately, for while the former is
largely motivated by incentive schemes which bring them cash rewards as
they produce more, the latter are more attracted by prospects of career
advancement bringing with it higher status and opportunities of leader­
ship. It is essential that reasonable prospects of promotion should be
provided to all employees. This does not of course mean that such
prospects should be assured, irrespective of the quality of work. On
the contrary, such assurance can well be counterproductive from this
point of view. For if promotions are available irrespective of the
quality of the work there would hardly be any incentive to work hard
and well. Unreasonable demands for pay raise, D A hike, compulsory
bonus, etc., should be dealt with firmly and all these should be linked
to productivity.

Morale of the Employees:

If Indian labour is down with low morale it is because of a host of
reasons. Broadly, these could be classified as social and economical.
The existence of anyone of the two in a favourable way in an organisa­
tion won't help the problem of low morale. Both conditions should be
favourable along with other conditions such as environmental, etc.

The low morale in VSL employees is reflected in the high rate of
absenteeism, low productivity, etc. The reasons for this are, lack of
communication, distrust in leadership, lack of a feeling of participation and monotony in work. With the deficiency of the above morale boosters, factors influencing the morale favourably, though present at VISL, such as seniority in job, status, pride of the job, product and the company, etc., their effect has been neutralised.

Randles include promoting proper communication, dynamic leadership, making work less monotonous and more attractive (with change of job and development training, etc.) and grass root participation of workers in decision making.

Industrial Relations:

It is heartening, after making a study of industrial relations in VISL, to learn that the relationship between labour and management is fairly cordial. Plants in the north and those particularly with troubled industrial relations have a lesson to learn from VISL.

The main reasons for cordial relations at VISL as I feel are: limited number of unions, recognition to only one union, i.e. the union with the largest number of membership and the participatory management style followed by VISL through various joint committees.

An organisation with limited number of unions (which of course cannot be legally restricted), recognising only one union which claims the largest number of membership through check-off system, with participative management style and properly laid out grievance procedure, if gives proper attention to handling labour affairs promptly and without delay, denying at no stage justice, can always hope to have cordial industrial relations.
The public sector with its bulging size and increase in employment should have constant reviews and assessments of its labour relations. That is required is not merely and never commissions and reports but an honest attempt to call out the best points in the existing laws and prompt implementation of them. Violation of those laws by public undertakings should be dealt with a iron hand.

Properly serviced and run, joint committees, keeping in view the wishes of both the organization and its workers can promote constructive cooperation between labour and management.

PROROGATION:

Mr J R D Tata's observation could well suit this study as a prorogating statement:

It was thirty years ago that I put forward a proposal for the creation of a full-fledged Personnel Division in Tata Steel and outlined its basic concept, structure and objectives. I am delighted that its success over the years has fully justified its establishment.

The main role of the Personnel Division, since its inception, has been to provide functional guidance to the managers and line executives and to advise and assist them. The members of the Personnel Division have always made a sincere attempt to convince managers of the wisdom of the line of action recommended. It is a tribute as much to the managers as to the officers of the Personnel Division that a fine spirit of cooperation has been developed between them. It is only in such an atmosphere of understanding and mutual respect that the personnel officers can perform their often delicate and difficult tasks.

The future holds many challenges for Indian Industry but in none more than in the field of industrial relations. For in this difficult field of all in industry, we deal not with machines, raw materials and processes, which require only brains, knowledge, skill and experience, but with human beings, the most complex of all God's creatures, who call for something in the form of human skills as well as sympathy and understanding. 4