PART TWO
Chapter 8

CONCLUSIONS

Human beings who make up an organization are its most valuable assets and its success depends to a large extent upon their efforts. While land and capital, machines and materials, techniques and researches are essential for the working of an organization, men are essential for its very survival. Whenever, wherever and by whomsoever this vital element has been ignored, the consequences have been disastrous. Effective management of manpower by keeping it satisfied, well led and well fed is, therefore, necessary to achieve the objectives of an organization.

Various factors such as social, cultural and economic set-up of the country greatly influence the organization of an enterprise and the attitudes of the people comprising it. These partly explain the lack of uniformity in the pattern and philosophy of personnel management existing in advanced countries like U.S.A. and U.K. on the one hand and an underdeveloped economy like ours on the other hand. In India, for example, the personnel function has begun to emerge only recently, the personnel department does not enjoy the same status here as in the U.S.A. and the recognition of worker as a human being as distinct from commodity is taking place only
gradually. Consequently the present day manager in Indian industry, whether in the public or in the private sector, faces varied and complex problems in managing the human resources.

In HSL, as in many other public enterprises, the human element of organization has not been given the attention it deserves. That it has been due to the government's preoccupation with financial, technical and other problems of enterprises is difficult to believe. Government's responsibility in this regard is particularly great in the case of public enterprises where government is itself a large employer and investor. As employer, expected to be 'model', government undertakings have generally failed. Their achievements are disappointing and private sector is not far wrong in laying its finger at their lapses. Public enterprises in general are running into losses. Most of them are plagued by poor industrial relations. HSL, the biggest employer in the public sector in India and one of the 34 giant steel manufacturers of the world, also falls in this category. Although it is rendering a great service to the nation by leading it towards self-sufficiency in steel production, its achievements are in no way proportionate to the huge amount frozen in it. Among other factors, low productivity and high personnel cost, managerial inefficiency, indiscipline among its employees (particularly at Rourkela and Durgapur plants)
and strained relations have been mainly responsible for such a state of affairs there. Human failures have taken place both at the bottom and at the top.

ROLE OF TOP MANAGEMENT

Leadership at the top plays an important role in the functioning of an organization. HSL and similar other public undertakings have greatly suffered because of managerial failures at the top. Sound managerial practices could not be built due to frequent changes in the nature and composition of the board. Senior government officers put at the helm of affairs in the company have failed to provide good leadership. The training and background they generally brought with them has not matched the requirements of industrial and commercial undertakings. Moreover, such appointments have not always been made on merit. The policy of appointing part-time directors has also not produced useful results. The composition of HSL Board, as also of other big public undertakings needs to be recast on the following lines.

1) Experienced and qualified personnel from business and industry\(^1\) and not necessarily from government

\(^1\)It is gratifying to note that recently the Government of India have appointed Shri K.T. Chandy as Chairman of HSL. Shri Chandy has considerable managerial experience in both the private and public sectors. HSL will be thus getting a professional manager for the first time after fourteen years of its formation.
departments should be brought at the helm of affairs in the company. This would not only change the outlook of the present officials working in the organization by making them more business-minded, but would also reduce the ideological cold war between private and public sector. The board would be considerably benefitted by the maturity and judgement of such persons in tackling the specific problems.

2) A large majority of the directors on the board should be whole-time officials of the company. Experienced people in such fields as technical, financial, legal, personnel etc. should be appointed on the board.

3) Government should fix a reasonable tenure of office for chairman and other members of the board. Generally it should not be less than three years.

4) Appointments to such important posts in the company as technical advisor, financial advisor, general managers at the plants should be made by the government in consultation with the chairman. This would enable the chairman to have a team of his choice and maintain coordination at different levels in the organization.

5) General managers of the three steel plants should again be made members of the board. This will not only make the board more realistic in its approach towards issues facing the organization but also facilitate the execution of board policies at the plant level.
6) The present centralization policy of the board which gives adequate powers to the plants in matters such as recruitment and promotion up to a certain level, purchase of raw materials etc., should be continued, although misuse of the power should be effectively checked. The size of the company being large, a centralized system of control may create more red-tapism and bureaucracy at higher levels and lack of initiative at lower levels.

The gains that would follow from such a strengthening and reorganization are clear. The appointment of general managers on the board and the careful implementation of the policy of decentralization would set at rest the controversy over the question of creating local boards at the plant level with a view to providing them greater autonomy. While the chief advantages claimed by the creation of a local board at each plant are that policy matters on vital issues faced by them can be decided by plant managements themselves instead of looking for guidance from the head office and that implementation of these policies can be done promptly and effectively, the danger is that it may give birth to vital differences in policy matters which at present are being decided at the company level. The advantage of the size may also be lost. It would, therefore, appear to be more useful if instead of creating local boards, the plant managers be brought back on the company board. Through such an arrangement, company
policies would be kept uniform, plants would gain from each other's experience and economies of scale would be retained.

THE PATTERN OF ORGANIZATION

Of late a controversy has arisen over the existing organization structure of HSL due to the recent recommendation of the administrative reforms commission to form industry-wise sector corporations which is based on the need for coordination and provision of common services among the public undertakings operating in the same field. According to the ARC the functions of these corporations will be: promotion of research and development, design and consultancy services, coordination in recruitment and training of personnel and other common service facilities which can be more economically provided from a central point. Such a corporation, the commission suggests will also scrutinize the budgetary programmes of the enterprises, develop information and reporting systems needed for management control and ensure uniformity in wage and salary structure, conditions of service etc. in the constituent units. While the sector corporation is to be managed by a board of directors, its constituent units will be managed by a committee of management (in place of board of directors as at present) which would consist of the heads of key departments.
The proposal to form sector corporations has been subject to fierce criticism. There is a general fear that it may result in their functioning as large monopolies in the public sector by eliminating competition among units producing a similar range of products or providing similar services. The autonomy of the constituent units is also likely to be further reduced, while at present these units get directions directly from the government, after the setting up of the sector corporations, these units may be subject to dual control. Important appointments in the units will still remain in the hands of the government as it would be difficult for the chairman of the corporation, being a government nominee, to offer resistance to the government in appointing persons of its choice. Further allocations of loans, foreign exchange etc. among the constituent units may raise problems in which government interference cannot be ruled out. The plans and budgets of the units will require not only the approval of the corporation but also of the government, and this may cause unnecessary delay in the finalization of projects or development plans. Other advantages which the commission expects out of such a proposal can be achieved more easily by coordinating the working of the concerned ministries in the government which look after the public sector projects. A sector corporation for iron and steel industry particularly may not be very useful in view of the fact
that the size of HSL is already quite large. Performance of the company can be bettered by improving its management, effective implementation of the policies laid down by the board at the plant level and better coordination between the head office and the plants.

FUNCTIONAL AREAS AND PERSONNEL MANAGEMENT

Among the various functional areas of management, personnel has largely remained neglected both by the government and the public undertakings including the HSL. The consequences of not giving from the very beginning due recognition to the personnel function at the board level in HSL 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 caused to the industrial relations fabric. It is, therefore, essential that where the nature of the board is functional there should be from the inception a fullfledged director of personnel on the board of each public undertaking. Boards which are primarily of policy type only, should have on it an expert in the personnel field. In France, appointment of a representative of labour on the board is a statutory responsibility for all public enterprises. In the absence of industry-wise representative unions it may not be possible in India to adopt this pattern at
present, but by nominating a person expert in personnel matters, this objective can be at least partly achieved.

The absence of efficient and effective personnel departments at the HSL plants during the formative period 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 it should be organized simultaneously with the setting up of other departments like construction, finance, purchase etc. in each public enterprise in India. Personnel departments at the plants should not be treated on par with the establishment departments of the government offices and appointment of persons trained in maintaining files and records (as was done in Rourkela in its formative years) should be avoided at all costs. Only such persons who are trained in the field of personnel management and have adequate background of labour problems should be appointed as personnel managers and personnel officers. The Pandey Committee Report on the working of Durgapur steel plant has rightly emphasized the need for improving the calibre of officers in the personnel department and selecting proper persons from inside HSL plant or from outside sources on permanent basis instead of getting such officers from state services.

STAFF ROLE OF PERSONNEL DEPARTMENT

The role of the personnel department should be to render staff service to the line management. Line and
staff relations in the plant have not been smooth. In the beginning there was too much centralization of power in the hands of the personnel departments. This became the case of conflict between this department and other operative departments. Timely adjustments in the structure of personnel departments were not made while the projects passed on from the stage of construction to production.

At Durgapur and Rourkela plants line management still grumbles as too much authority on personnel matters rests in the personnel departments although their handling of these matters often has not been very effective. Variations still exist in the structure of personnel departments at all the three plants at Durgapur, Bhilai and Rourkela. The plants have also failed to learn from each other's experiences. While the personnel department at Bhilai has an excellent division of work among its officers and a greater degree of harmony with the operative departments the same is not true of other plants. The separation of personnel management and industrial relations division at Bhilai is a welcome feature. It has helped in stabilizing and institutionalizing industrial relations at the plant level. Personnel departments at the two other plants, therefore, need re-organization on the Bhilai pattern, which may also serve as a model for other big public enterprises.
PLANT RELATIONSHIPS WITH COMPANY HEADQUARTERS

The existing relations between the manpower division at the head office and the personnel departments at the plants need improvement. Also, there is scope for better communication and coordination in laying down the personnel policy and its implementation. The loose control exercised by the head office over the plants has resulted into wide variations in their personnel policies and practices. The head office cannot escape responsibility for delay in the setting up and haphazard growth of personnel departments at the plants, delay in recognition of trade unions, late framing of standing orders, etc. It would be better if separate divisions for manpower, productivity, and training are created at the head office and put under the overall charge of an advisor (Manpower) who should be assisted by a separate chief for each of these three divisions and also the industrial relations division.

The manpower division should be responsible for assessment of manpower requirements both in quantitative and qualitative terms, proper implementation of rules and regulations regarding recruitment, promotions, transfers, demotions, lay-offs, and disciplinary matters. It should also develop systematic merit-rating plans for different categories of employees. It should endeavour to develop company-wise policies over these matters in order that
existing variations in personnel policies and practices at different plants may be reduced and uniformity brought about. Interplant transfer should also be looked after by this division.

The productivity division should be responsible for labour cost, wage and salary administration, incentive schemes, and job evaluation. Its efforts should be directed towards reducing labour cost, linking productivity with pay, scientifically analysing the contents of job and developing a rational system of payment and carrying out researches in the field of manpower productivity.

The training division should look after the management of Training Institute at Ranchi and the three technical institutes, one at each plant. The division should coordinate the efforts of these institutes, arrange for safety seminars, exhibitions, workers education etc.

Regular meetings of the chiefs of the four divisions industrial relations, manpower, productivity and training and the personnel managers of all the plants should be called at periodic intervals to maintain liaison between the head office and the plants.

The industrial relations division as at present should remain under the chief, industrial relations and look after industrial relations matters.
Selection of right man for right job is the key to success of an organization. HSL's recruitment and selection policy in the past was not sound. This is evident from the fact that all the three plants are overstaffed and are employing about three times more labour force than the plants of same capacity in industrially advanced countries. Inadequate manpower planning is the root cause of this problem. The quantitative as well as qualitative assessment of manpower needs was not done properly at the time the project was conceived. Even when construction started no control was exercised on the size of manpower which went on increasing beyond proportions and when production started the mounting pressure from trade unions and government compelled the management to absorb more than the required labour force. 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. In some other public undertakings also this problem has been acute. Government may consider the following measures to solve the problem of overstaffing in the existing public undertakings including in the HSL.

1) An estimate of the extent of overstaffing in all public sector projects should be made to assess the size of labour force which can be released from the
existing units. While making such an estimate plant managements should keep in view their own expansion programmes to be undertaken in the Fourth Plan period.

2) An estimate of the total labour force required by the new undertakings to be constructed in the Fourth Plan should be made in advance. Experts to assess manpower requirements on scientific basis should be associated with all such committees which prepare project reports. As far as possible, surplus staff of the existing units should be transferred to new units. This staff should be allowed to retain the benefits of its services in the existing units and in no case should be paid less than the present emoluments. This arrangement will facilitate large scale transfers without much resentment on the part of workers. In fact many employees may welcome such a transfer since in new units their chances of promotions would improve. The skill and experience of the transferred labour force will be useful to the new enterprises.

3) Transfers should be done on the principle of 'last come first go' as is the practice in regard to retrenchment or lay offs. Employees refusing to join new assignments so allotted may be laid off.

The above proposals are based on the presumption that mass scale lay off of retrenchment may not be practicable in the existing political and economic set-up.
Whenever attempts were made in the past to retrench or lay off surplus staff pressure to retain it came both from trade unions and that from government, with a view to preventing overstaffing in new industries. The project reports should contain estimates regarding the quantitative as well as qualitative aspects of manpower requirements. Apart from technological factors, local conditions should also be taken into account in preparing such estimates. Any variation from the approved estimate should be allowed only after analysing the conditions requiring it and its effect on labour cost. The power to create new posts in the units should vest with the highest authority (as in TISCO) in the plant, so that there may be some check. A qualitative assessment is necessary for determining the strength of different departments, levels of skill and knowledge required according to the place of the post in the hierarchy of the organization.

The existing recruitment and selection procedures of HSL are sound although they were framed too late. Initial mistakes in many cases have proved too costly particularly in case of Rourkela where dismissed employees from TISCO and IISCO were employed because there was no system of antecedent verification and these employees organized a number of strikes.

The existing imbalance in the ratio of direct and indirect recruitment should be corrected. Although it is
laid down in the rules that in the grade of 400-950 at least 50% posts will be filled by direct recruitment, most of the vacancies have been filled by promotion. This grade, being the point of injection of new blood, requires careful selection on an all-India basis.

FEEDING WITH MANAGERIAL BRAINS

Public undertakings cannot ignore the difficulties they face due to scarcity of highly qualified people, competitive bidding by private undertakings, failure of civil service officers and stagnancy in the industrial management pool. Measures to generate a continuous flow of qualified people are urgently called for. The establishment of an Indian Management Service by the Government of India would go a long way to solving this problem. The service may be administered by an agency which may be called the Public Enterprise Service Commission set up on the pattern of the Union Public Service Commission. All public undertakings should send their requirements of middle and higher managerial personnel to this agency a few months in advance. This Commission, composed of highly qualified and experienced people in the field of industry and business, should then make a centralized selection on an all-India basis. Such an organisation can then develop its own interview and other selection techniques useful in recruiting people for efficient management of public
industrial undertakings. The success of such a scheme depends upon many factors. If selection is centralised, as in the case of civil service officers, mobility should be permitted, and inter-company transfers should be freely allowed. This, however, implies that equal jobs are equally paid in all public undertakings. This calls for a rationalization of salary structure. This rationalization is possible by establishing grades on the basis of job-requirements in terms of qualifications. The comparative position of the grades in the private sector cannot be ignored while fixing these grades if qualified people are to be recruited and retained. The mere consolation of being in public service is not a 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. Furthermore, service conditions in all undertakings under public sector should also be made uniform in respect of leave, provident fund, gratuity etc.

DEVELOPING THE PERSONNEL

A systematic programme of induction is essential to give the new employee a feeling of confidence and generate a sense of loyalty and pride in him. HSL's efforts to start induction programmes on a planned basis in all
the plants are commendable. The major responsibility of induction of new employees is on personnel officers who are designated as Induction Officers for this purpose. But the mere conferring of designation without providing adequate training and incentives may be of little use. A number of other public undertakings do not have any induction programmes while some have such programmes only for a few category of employees. Induction courses are a must for any organization to provide to the employee the information which he must have.

As regards executive training, HSL's programmes are adequate and effective as compared to many other public undertakings where it is a neglected aspect. Here training exists facilities for all categories of employees. The Management Training Institute of the Company at Ranchi is a pioneering one of its own type in the country. The size of the Institute, however, is small. Its intake capacity should be increased and long-term training courses for middle management personnel should also be started. The Institute should seek collaboration with universities and other institutions in this matter. It should provide special programmes for personnel officers. In addition, the company should increasingly utilize the facilities for training senior executives under the programmes organized by the Administrative Staff College of India at Hyderabad, All-India Management Association, New Delhi and the two
Institutes of Management at Calcutta and Ahmedabad set up in collaboration with MIT and Harvard.

As regards technical training, the intake capacity of the three technical training institutes at the plant level needs to be augmented so that engineers and artisans from other heavy industries can also be trained there. Arrangements should be made by some other big public undertakings also for providing training to its skilled, supervisory and managerial manpower. In order to coordinate such efforts of big public undertakings, a fullfledged manpower and training division should be created by the central government under its ministry of labour and employment. Certificates and diplomas given by technical institutes attached to HSL plants and other public and private sector undertakings should be given all-India recognition. Courses should be so drafted that there is scope for candidates being absorbed in different factories and industries.

**PROMOTING FROM WITHIN**

As in case of many other public undertakings, the promotion rules in the Hindustan Steel Plants were framed after many years of the start of the project. The company has however gone to the farthest limit in providing promotion opportunities to its employees. But in doing so it is becoming a self-contained empire with locked doors as chances of direct recruitment on higher posts in
the company are negligible. Cases of very quick promotions have been frequent. In many cases qualifications prescribed for promotions have been much lower than desired. Quite often model rules (which have been framed after many years of formation of the company) have been overlooked while filling vacancies caused by creation of additional posts by means of direct recruitment. It would be appropriate if at least 25 per cent posts in all the grades are filled by direct recruitment. Internal candidates should be allowed to compete with outside applicants. This arrangement can be followed in other public undertakings also. Organizations stratify because of promotion from within and failure to introduce outside blood. Entrance of new blood is, therefore, essential for the growth of any organization much more so for an organisation of the size of the Hindustan Steel Ltd. A uniform promotion policy should be introduced in all the plants. The existing interunit variations in promotion policy are not healthy. While in Bhilai the basis of promotion for all category of employees is seniority-cum-suitability, in the other two plants the basis is different for executive and non-executive posts. Seniority carries more weight for non-executive posts than for executive posts. For non-executive posts the present basis of seniority-cum-suitability may be retained as this has been agreed upon by trade unions. As in Bhilai, a representative of recognized union may be associated at
the time of trade testing for promotions to skilled jobs both at Durgapur and Rourkela also. For all executive posts the basis of promotion should be merit-cum-seniority.

The age old system of confidential reporting of merit has lost its utility now when modern techniques are available. Even in government departments in many countries this system has been abolished, as it keeps the person assessed in dark regarding his qualities/defects and merits/demerits and gives maximum scope for favouritism and bossism by the superior officers. Industrial concerns in most countries have adopted systematic merit-rating procedures based upon an analysis of abilities, knowledge, efficiency and leadership qualities of the employees. HSL should adopt a graphic scale system of merit appraisal with due weighting for different qualities desired in employees. For non-executive personnel the merit rating scheme as introduced in Bhilai plant should be adopted by other plants also with some improvement in the system of weightages.

**MOBILITY OF PERSONNEL**

HSL does not have any transfer policy although intra-plant and inter-plant transfers of employees do take place. Quite often there are transfers from one plant to head office and vice versa. Some industrial disputes have arisen on account of arbitrary transfers.
The company should, therefore, formulate a transfer policy. Plants may exchange 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 Steel Corporation may be adopted by the company. 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 vacancy occurs for its consideration.

At the national level there is some mobility of managerial personnel appointed in public undertakings from the Industrial Management Pool or Government departments. Their jobs are transferable. Such arrangements may also be made for technical personnel. Plants should not be allowed to become an 'isolated island in a technical sense'.

**DETERMINING THE PAY PACKET**

Labour in India is largely paid on time scale which guarantees a fixed pay packet for him every month whether the fixed production targets are reached or not. The existing pattern of compensating the personnel in public sector steel plants and in many other public and private undertakings which are covered by the Wage Board Awards also is not based on productivity. Wage Boards are guided by the principle of fair wage which is a need-based
minimum wage. The capacity of industry to pay or the rate of productivity has no relation, whatsoever, with the pay packet which an employee gets every month. While workers have charged wage boards for not awarding wages strictly according to the principle of fair wage (as the nutritional requirement of labour engaged in heavy industry is not fully taken into account) managements have rightly objected to increasing cost (as a result of revisions of grades) without its linkage with productivity. The dearness allowance which was previously on a fixed scale has been linked with the cost of living after the implementation of award. This is also bound to increase the total labour cost without commensurate increase in productivity. The introduction of compulsory bonus has further affected the labour cost. While the aim of bonus payments is that labour may get a share in profits because of increased productivity, it is doubtful if this aim would ever be achieved. The provisions of the Bonus Act have added 4% additional to the pay packet of each employee. Even the existing production incentive bonus system which has some linkage with higher productivity, as it has been recently delinked with ingot production and depends upon the individual departments capacity to reach or exceed the production standards, is not directly linked with the individual's performance.

A solution to this vexed problem, if difficult,
is not impossible to be by found. Since a total shift from a time-scale wage system to the piece rate system may not be acceptable to labour (and in cases where productivity cannot be measured directly it will be impracticable also), it has to be continued but the existing system of dearness allowance and compulsory bonus may be changed. Both these payments should be merged with the basic wages of the steel worker. The present distinction between dearness allowance and basic wages is highly artificial. On merger workers would have a clear perception of the pay packet and this would be a factor of motivation. The Bonus Act should be scrapped altogether after merging the existing benefit of 4% of minimum bonus in the basic wages as the benefits under this Act has no relation with productivity. Wage agreements should be re-negotiated on this basis either annually or half-yearly.

The group incentive bonus scheme should, where practicable, be gradually changed into individual incentive scheme under which there is direct linkage between the performance of the employee and his bonus earnings. Where the individual’s performance cannot be assessed because of the nature of the work particularly in non-works departments the group incentive system may continue. The system should provide for equipment utilization and labour productivity factors, weightage for utilization of raw materials and quality of the products etc.
Fringe benefits, should be continued on the present scale. Public undertakings in India have taken a lead in this respect. Housing alone in many projects has consumed a good portion of the total project costs. Other facilities are also on liberal scale. In the three steel plants under HSL, fringes provided in Bhilai in the last few years on a more liberal scale than in the other two plants. However, at present these benefits are at uniform rates in all the plants. Benefits provided by the public sector plants compare favourably with the private sector undertakings. In the general area of fringe benefits, as far as possible, fringes of deferred payment type such as provident fund, pension, gratuity should be strengthened. Such benefits are less inflationary and increase the investible resources.

Managers of public undertakings have so far given scant regard to job analysis and job evaluation. Very few units have any system of job appraisal. In steel industry efforts made in this direction have hardly covered one sixth of the total number of jobs. Wage differentials in the plant under such circumstances were not developed on a scientific basis. In some units where a job evaluation system may have been evolved it is kept under lock and key and is used only when disputes arise in regard to promotion, grade fixation or revisions etc. Management should be encouraged to make a systematic appraisal of all the jobs so that wage differentials for different jobs may be based upon sound principles. The point and the factor comparison
methods of job evaluation should be preferred since they are more scientific and useful than mere ranking or gradations.

BUILDING MORALE

Social and economic conditions are the root cause of low morale of industrial employees in India. The low morale in the HSL employees is reflected in the high rate of absenteeism (highest in Rourkela and lowest in Bilai), low labour productivity and high personnel cost (highest at Durgapur and lowest at Rourkela). The contributory factors are the lack of communication between the employees at different levels - between supervisors and workers, supervisors and supervisors and managerial personnel of different ranks. The line of communication is obstructed by social snobbery in the officials at higher levels, managerial personnel's lack of faith and confidence in supervisors and foremen and lack of team spirit at lower levels. Communication, which is a great tool for decision-makers, has not received the attention it deserves. Leadership is also poor. Government officials sitting at the top of the management ladder have failed to create an atmosphere in which people may be ready 'to do or die' for the organization. Factors affecting morale favourably such as seniority in job, status, pride of the job, product and company etc. no doubt exist but their effect is neutralized because of
lack of communication and information and poor leadership and supervision. Remedies include promoting communication, and stimulating motivating/ extending fair treatment to workers, and employee participation and developing faith and confidence in the 'foreman' who is a 'forgotten man' in the company.

FACTORS AFFECTING INDUSTRIAL RELATIONS

Industrial relations are not created in a vacuum. They are the product of the circumstances in which people work and live together. The sad story of industrial relations in the company starts from the days when workers employed by the contractors were not only denied of adequate wage compensation and timely payment but also justice. There was no machinery to handle their grievances. There were no personnel departments in the plants to formulate rules and regulations on personnel matters, organise welfare activities and ensure compliance of labour legislations and tripartite conventions. The number of trade unions at the plants have been quite large and these, led by different political parties having different ideologies, have always exploited the steel worker. A bad beginning was thus made. Even when the construction phase was over and a large number of employees came into the regular cadre of the company, no arrangements were made to look after personnel matters properly. Standing orders remained in the trays of government officers for quite some time.
and provided an opportunity for a tug of war between the state and central governments. In the absence of proper rules and procedures matters pertaining to promotion, upgrading, transfer, confirmation etc. gave maximum opportunity for breeding discontent among the employees. Labour laws were not implemented properly. Some mandatory provisions of Factories Act regarding hours of work, changes in shift duties, fencing of machinery and safety precautions etc. were not complied with. In the meantime trade unions started fighting shoulder to shoulder to get recognition which was delayed because of the difficulties in verifying their claims regarding membership and the breaches of Code which of Discipline was accepted by all in principle, but in practice it was followed by none. One of the cases of recognition went to court also. The central and state implementation machinery as developed under the Code could not function effectively due to lack of authority.¹

¹An analysis of the processes through which the machinery operates or attempts to achieve its purposes of maintaining industrial discipline through the Code exposes that inquiries conducted for establishing the genuineness or otherwise of the complaints lack comprehensiveness; data and information supplied to the Implementation Committee for decision making lack adequacy and accuracy; implementation and followup of the decisions, reached lack effectiveness and efficiency, government nomination on these committees is not always representative and non-partisan and the control exercised by the central organisations of employers and employees on their constituent members to insist on reporting of all breaches and compliance of all decisions is rather lax.” Kapoor, T.N. The Working of the Code of Discipline in Industry. Indian Journal of Industrial Relations. Vol. 2. No. 2. p. 216.
Rourkela and Durgapur plants all types of strikes and go-slow were resorted to frequently and persistently. Trade unions with their own flags marched on different roads, thus making it impossible for the management to negotiate with them. Go-slow in the plant sometimes continued for months together. During demonstrations violence broke out on several occasions and both parties complained regarding excesses by each. The union in each plant was recognized only after much delay and till that time the way to labour-management co-operation was blocked. Industrial relations situation improved only after the recognition was conferred. In Bhilai particularly the situation changed rapidly and the plant entered into a new era of industrial peace. A grievance procedure was adopted, joint committees were formed and they are all working effectively and smoothly. Collective agreements over a number of important issues were reached between management and recognized trade union. Most of the disputes were settled by mutual negotiations. In the two other plants, however, unions rival to the recognized ones are still very strong and at very often block the way for a close and meaningful cooperation between the management and labour.

Why poor Industrial Relations at Durgapur and Rourkela?

The causes of poor industrial relations at Durgapur and Rourkela can be summed up as follows:

1) Inter-union rivalry is intense. Rivals to
recognized unions are strong.

2) Unions frequently resort to strikes, go-sloos or workstoppages to get their demands fulfilled.

3) Personnel management affairs have not been handled carefully. The personnel departments have largely been ineffective in maintaining cordial relations with labour.

4) The relationship between line and staff has been embittered.

5) Rules and regulations on personnel issues were framed very late.

6) State labour machinery has been moved off and on to settle disputes. Mutual negotiations have been unsuccessful in many cases because of the attitude of parties towards each other.

7) Code of Discipline has been freely violated by both the parties.

8) Works committees/labour boards have not worked successfully because of union rivalry.

9) Grievance machinery has not been very effective.

10) Lack of communication, supervision and leadership have resulted into low morale.

**Why Good Industrial Relations at Bhilai?**

A careful analysis of the data in Table 39 would clearly reveal the answer to this question. Even though
### Table 39
Industrial Relations at HSL Plants
A Comparative Review

<table>
<thead>
<tr>
<th>Determinants of Industrial Relations</th>
<th>Rourkela</th>
<th>Bhilai</th>
<th>Durgapur</th>
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<tbody>
<tr>
<td><strong>A. General</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Year of Establishment</td>
<td>1954</td>
<td>1955</td>
<td>1956</td>
</tr>
<tr>
<td>2. Year in which personnel</td>
<td>1959</td>
<td>1960</td>
<td>1961</td>
</tr>
<tr>
<td>department was set up</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. Year in which trade union was</td>
<td>1963</td>
<td>1961</td>
<td>1963</td>
</tr>
<tr>
<td>recognized</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>i) Works Committee</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ii) Grievance Committee</td>
<td>1963</td>
<td>1963</td>
<td>1961</td>
</tr>
<tr>
<td>iii) Suggestion System</td>
<td>1963</td>
<td>1961</td>
<td>1964</td>
</tr>
<tr>
<td>5. No. of Trade Unions</td>
<td>5</td>
<td>8</td>
<td>5</td>
</tr>
<tr>
<td>6. Rate of Absenteeism</td>
<td>16.42%</td>
<td>10.07%</td>
<td>18.07%</td>
</tr>
<tr>
<td>7. Labour Cost per tonne of Steel</td>
<td>54.00</td>
<td>57.90</td>
<td>61.50</td>
</tr>
<tr>
<td><strong>B. Industrial Relations Situation</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. General State of industrial</td>
<td>Poor</td>
<td>Good</td>
<td>Poor</td>
</tr>
<tr>
<td>relations</td>
<td>Very frequent</td>
<td>Rare</td>
<td>Very frequent</td>
</tr>
<tr>
<td>2. Frequency of Strikes</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. Frequency of go-slows and</td>
<td>Very frequent</td>
<td>Rare</td>
<td>Very frequent</td>
</tr>
<tr>
<td>work-stoppages</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>C. Determinant Factors</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Organizational</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Handling of labour affairs by</td>
<td>Poor</td>
<td>Good</td>
<td>Poor</td>
</tr>
<tr>
<td>personnel departments</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Line and staff relationships</td>
<td>Poor</td>
<td>Good</td>
<td>Poor</td>
</tr>
<tr>
<td>3. Formulation of rules and</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>regulation on personnel matters</td>
<td>Late</td>
<td>Timely</td>
<td>Late</td>
</tr>
<tr>
<td>4. Inter-union rivalry</td>
<td>Very acute</td>
<td>Acute</td>
<td>Very acute</td>
</tr>
<tr>
<td>5. Strength of recognized union</td>
<td>Weak</td>
<td>Very strong</td>
<td>Weak</td>
</tr>
<tr>
<td>6. Strength of nearest rival union</td>
<td>Very strong</td>
<td>Very weak</td>
<td>Strong</td>
</tr>
<tr>
<td>7. Attitude of non-recognized</td>
<td>Non-cooperative</td>
<td>Non-</td>
<td>Non-cooperative</td>
</tr>
</tbody>
</table>
the number of unions at Bhilai is the largest compared to the other two plants, industrial relations have been generally good, strikes, go-slow and work stoppages have been rare, rate of absenteeism is low and labour cost is not as high as in Durgapur. Such a healthy industrial relations climate exists due to the following.

1) Effective handling of labour affairs by a well organized and adequately staffed personnel department.

2) Good line and staff relationships.

3) Timely formulation of progressive rules and procedures on personnel matters.

4) Existence of a very strong recognized trade union.

5) Faithful and effective implementation of labour laws.

6) Reliance on mutual negotiations and collective bargaining.

7) Respect for Code of Discipline in industry.

8) Existence of an excellent grievance settlement machinery.

9) Successful functioning of suggestion system.

10) Useful role of the joint committee and the works committee under the M.P. Industrial Relations Act.

It is thus obvious that for the successful functioning of any enterprise it is absolutely necessary that cooperation between labour and management is ensured by
direct approach and an atmosphere of mutual trust and
good-will is developed. It is relevant to note in this
context the views of a central trade union organisation,
though they may appear to be slightly exaggerated. "With
the authority of four governments (in three state govern-
ments of Madhya Pradesh, Orissa and West Bengal and the
Central Government) behind it the Hindustan Steel Ltd.,
has singularly failed to keep its plants free from public
exchequer, unmerited odium for the public sector, and
unresolved problems of productivity and personnel manag-
ment. It is precisely because of this that the Steel
Ministry is seeking rehabilitation of the shaky economy
of Hindustan Steel Ltd., by direct approach to its workers
and their organisations outside all codes and the law of
industrial disputes. In other words the Steel Ministry
is beginning to learn that not the Government and the
majesty of its laws but the workers and their cooperation
would bail it out of its difficult predicament.... The
hope for the strengthening of our fragile national
economy also lies in the same direction.\(^2\)

\(^2\)HMS in a Memorandum to the National Commission
POLICY IMPLICATIONS

Although this study is particularly concerned with the HS1, it may be appropriate to speculate briefly about some of the implications of the findings for policy-makers in industry unions and the government at the national level and state only some of the crucial issues which have emerged as dominant factors affecting personnel management and industrial relations (relevant not only for the three steel plants in the public sector but also for other undertakings in public and private sectors alike) and require appropriate action. These are:

1) Development of sound personnel policies.
2) Recognition of union and other related matters.
3) Voluntary framework.
4) Labour legislation.
5) Joint consultation.

1. Development of Sound Personnel Policies

Government should prescribe the basic objectives and standards to be applied in all public industrial undertakings. Top management of public undertakings should provide dynamic leadership and follow sound and progressive personnel policies and practices. They should practice modern methods and techniques of personnel management and establish well-organised and adequately staffed personnel departments. Public sector undertakings should adopt
objectively determined recruitment policies and devise their promotion and placement policy in the context of their organisational planning and development needs. Over-manning should be controlled and dependence on deputationists in manning posts in the public sector should be done away with. Executive development should be given proper attention and company programmes should be tailored to meet their special requirements. The role of the agencies involved in providing executive development programmes viz. the Institutes, the Universities and the Companies should be clearly spelt out and coordination in their work achieved. While western concepts and practices of management can no doubt be usefully borrowed, the socio-cultural and economic background of the employees and the level of technology in India demand their intelligent modification to meet local conditions and needs. The large number and variety of jobs make it inadvisable or impracticable to adopt a uniform pattern in regard to wages and salaries of the public sector employees. Again these should not be 'pegged' to the scales obtaining in government departments. Incentive payments should be linked with productivity. The nature and quantum of fringe benefits, which have their implications for the company, the employee and the consumer, should be determined after assessing the felt needs of the employee.
2. Recognition of Union and Other Related Matters

The ever-increasing size of the public sector requires a constant review and assessment of its labour relations. There should be no difference in the application of labour legislation and voluntary framework for labour relations as between the public and private sectors. Public sector managements should be made to respect labour laws and conventions and to give up their 'allergy' towards trade unions. In particular partisanship in recognition of unions which affects stability in industrial relations should be discouraged. The right of recognition and collective bargaining should be secured to trade unions through law. Government should consider the possibility of deciding the representative character of trade union by secret ballot in each plant or units where no one union gets sizeable majority, the first two unions may be recognized and their representatives in equal number should be associated with various joint committees. The recognized union should be granted the facility of check-off subject to the written consent of the workers concerned. Once the sole bargaining agent has been appointed, all disputes and demands should be considered and settled through collective bargaining limiting the role of the government more in the form of conciliation and mediation and less in the form of adjudication. A judicial agency independent of the normal labour administration machinery and able to
win confidence among rival unions or parties should be set up for deciding the majority union, certifying the recognized union as the bargaining agent, determining areas of bargaining and deciding issues of unfair labour practices.

3. **Voluntary Framework**

   Government control in the matter of implementation of voluntary codes and tripartite conventions should be tightened and the existing central and state implementation machinery provided for the purpose should be armed with authority so that it may function expeditiously. All undertakings whether in the public or private sector employing 100 or more workers should, be required by law, to form a grievance procedure and set up a machinery to settle grievances mutually. The grievance machinery should consist of equal number of representatives from both the sides and the time limits prescribed under the Code of Discipline in Industry should be made statutory.

4. **Labour Legislation**

   The plethora of labour laws should be simplified and unified by amalgamation, amendment and consolidation, where necessary, and their administration in relation to the central government undertakings located in different states should be the responsibility of the central government so that the duality in administration and the procedural
wrangle between the state and central labour machinery may be eliminated and effective implementation of labour laws may be ensured.

5. **Joint Consultation**

Properly run, the formal and informal organs of joint consultation—the works committee and the joint management council—can promote constructive cooperation between labour and management. Works committees should function in unison with trade unions and not in opposition to them. This implies conceding limited representation of/nomination by trade unions on the works committee. Trade unions through collective bargaining and joint consultation provide effective form of democracy within the enterprise. Works committees and joint management council can function satisfactorily in those concerns where they are set up in agreement with unions and serve only as forum for joint consultation and not as substitute to trade unions.